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DEBATE ON THE ADDRESS

HC Deb 16 September 1948 vol 456 cc231-368

[THIRD DAY]

Order read for resuming Adjourned Debate on Question [14th September]:

“That an humble Address be presented to His Majesty, as follows: ” “ Most Gracious Sovereign, ” “ We, Your Majesty's most dutiful and loyal subjects, the Commons of the United Kingdom of Great Britain and Northern Ireland, in Parliament assembled, beg leave to offer our humble thanks to Your Majesty for the Gracious Speech which Your Majesty has addressed to both Houses of Parliament.”—[Mr. Leslie.] ”

Question again proposed.

2.38 p.m.

Mr. R. A. Butler (Saffron Walden) I beg to move, as an Amendment to the Address, at the end, to add: “But humbly regret that, while the national difficulties are multiplying both at home and abroad, Your Majesty's advisers, in their preoccupation with partisan manoeuvres, are unable to lay before the House any measures for their solution.” I can see by the general applause throughout the House with which the terms of this Amendment were greeted, that there is universal acceptance of its terms and a realisation that we are being submitted to a particularly shabby abuse of the procedure of the House by the summoning of this silly Session of Parliament and by the form of the Gracious Speech. The object of our Amendment is to indicate that if Parliament is to be summoned it should occupy itself with matters of burning importance to the country, and I trust that before I have concluded, to put it at its least, I may have given some indication of these matters, both at home and abroad, to the House—matters on which we, as His Majesty's Opposition, feel deeply. I go so far as to say that never was so cold, calculated or cynical a document, in present international or home circumstances, drafted by His Majesty's Ministers. It is essential, for the Opposition at least, to seize the opportunities to extract policies from the Government on the vital matters which beset us, not only in the world, but at home. While I shall reserve the greater part of my remarks for the home front, following upon the excellent speech of my right hon. Friend the Member for Warwick and Leamington (Mr. Eden) yesterday, there are just one or two matters on the world front to which I want to refer before coming to home affairs. The terms of the Amendment are extremely broad and certainly give every opportunity for that.

It is not for me to refer to the lowering clouds which beset us, because I could not do it as effectively as it was done yesterday by my right hon. Friend, but I can at this stage say that we were disgusted with the reply of the right hon. Gentleman who spoke late last night and who did not even think fit to reply to many of the vital questions that were put. I will take only one example, which was the very excellent speech of my hon. Friend the senior Burgess for Cambridge University (Mr. Pickthorn). The position in Malay is one which reveals as much as anything else the dilatoriness and inefficiency of His Majesty's Government. The fact that the Colonial Secretary sat there looking extremely uncomfortable for a large part of the day and yet had no reply to make was one which left a very nasty taste with us about the attitude of the Government to this vital question. While I shall not pursue this today, I trust that we may have a reply on this matter. I hope also that a further explanation may be given of the Government's expressed desire to organise and proceed effectively with Western Union because we cannot say that we are satisfied with the reply given by the Foreign Secretary yesterday.

The two matters to which I wish to draw attention are Palestine and the position of India and Pakistan. On the question of Palestine, hon. Gentlemen on all sides will remember that, when we were discussing the Palestine Bill, great anxiety was expressed from these benches as to who, in fact, would be the successor authority. While we supported the Bill in general, we were right at that time to express the gravest doubts whether adequate provision had been made for another authority taking our place on our departure from Palestine. Events since then have amply and fully justified our fears and criticisms, and one can only feel grateful to the United Nations Mediator for the comparative success which, almost singlehanded, he has managed to achieve. I think it essential to draw attention to a reported telegram from Lake Success on 19th August in which the Mediator is reported to have said: "Even if the Jews and Arabs agree, he could not achieve the demilitarisation of Jerusalem unless a strong and adequately armed United Nations force were immediately provided." I want to ask the Government to what extent they accept their undoubted duty to support the United Nations by sending forces to Palestine? Many of my hon. Friends on this side expressed grave disquiet on the position of the Holy Places in Jerusalem and the situation in Palestine in general. It does seem an extraordinary thing, and extremely dangerous for the future of the United Nations, that some immediate action has not been taken to follow up the desires of the Mediator at this critical time. In fact, I would go so far as to say that the whole possibility of a settlement in Palestine is in grave peril unless the adequate forces for which he has asked are despatched. The right hon. Gentleman who attempted to reply last night talked about "full support." I ask the Government what these words mean. We regard this as a grim situation, and one which, to use the Foreign Secretary's words, might set a match to the rest of the world. There has been established a form of truce for which we are very grateful, but, unless we can obtain from the Government some indication of what "full support" means, I do not believe that the peace which we all hope for in Palestine will prevail.

Mr. Sydney Silverman (Nelson and Colne) May I ask the right hon. Gentleman a question? Is the right hon. Gentleman now saying that he and his Party wish British troops to be sent back to Palestine?

Mr. Butler I have deliberately not said that, and the hon. Gentleman, with his acute legal mind, must have observed that I did not say that. I was asking what the "full support of the Government means. If, in their present position, it is impossible for them to send British troops, what help are they offering to see that the peace which we want established is brought about and is adequately safeguarded? I hope the Government will give us an indication of what other efforts they are making so that we may hope that it is possible that a solution of the Palestine problem will emerge. I am not going further into that matter today, but it is obvious that further action in recognising the situation as it stands, must follow upon any successful action by the United Nations and not precede it.

I remember hearing the late Lord Lothian make a peculiarly moving speech when I was with him in India on the Franchise Committee. I remember that at the end of one of those conferences he did not speak about the work we were doing on that Committee but made a most grave speech to those present saying that, in his opinion, unless human nature improved, it would be inevitable that, both in India and Palestine, partition would have to take place. In his view human nature being what it was, it would be impossible for rival creeds and nations to agree one with another. The Indians at that time did not believe it, and, of course, those interested in Palestine did not believe it either, but it has come to pass in both those countries. Lord Lothian went on, in that rather prophetic vein of his, to say that with the great changes that would come, and with the example of the Hitlerian technique, Governments would take the bit between their teeth and would tend to become totalitarian and ruthless in adopting policies not consistent with the policy of the then League of Nations. Those words have become amply true in both Palestine and India and we must see to it that the next stage to which he referred, when Governments become totalitarian and adopt the Hitlerian technique, does not completely undermine all that international idealism and all that support for the United Nations which we have so deeply exhibited and about which my right hon. Friend spoke yesterday. In fact, the very establishment and maintenance of international morality are at stake.

It is for that reason that we feel so deeply and bitterly about the situation in Hyderabad. I want to mention, before I deal with Hyderabad, the situation in Kashmir. Here it seems again that there is grave danger whether U.N.O. will be taken seriously or not. We are at a crossroads in the history of the United Nations, and unless the Government can indicate more fully their support of it, and unless the United Nations itself can play a more efficacious part than it has been able to play hitherto, I fear that that international agency may lose a great deal of its force and have no more power than was the case, in its last days, of the League of Nations. What do we find in Kashmir? The latest telegram which I can find is one from Karachi which stated that both the Governments of Pakistan and India have accepted the "Cease fire," but with added conditions which the Commission could not accept. It appears that the situation in Kashmir has been rendered very much more tense by the Indian invasion of Hyderabad, which, whether it involves—which we trust it will not—the Northern Dominion in the fighting, at any rate, will make the situation between Pakistan and India even more serious than before.

I do not think I can add very much to the words on Hyderabad spoken by my right hon. Friend yesterday, but I would like to tell the House that during the summer I did my best—with, I hope, the experience I have of Indian affairs and my intense desire to reach a settlement—to try to bring the Government of this country together with representatives of Hyderabad. I had no success. The Government were adamant in saying that they could not intervene or even see the representatives of Hyderabad who were visiting this country at the time. I state that because I have always desired not to use language which would exacerbate the situation or prejudice the development of independence in the Indian Continent. The Government rested their case then, as the Foreign Secretary did yesterday, on legal and technical considerations. I feel that there is something far more important, here than legal and technical considerations or questions of interfering, or not interfering in the affairs of one country or another. I believe that the right hon. and learned Gentleman who is going to follow me in this Debate has more influence with the Government of India than any other living man; I believe that this Government have a great influence with India.

The one point which was not made as fully by my right hon. Friend yesterday as I want to make it, is that I believe a very great responsibility rests on the shoulders of His Majesty's Government to use their influence in India at the present time, even if they have not exercised it sufficiently in the past, to bring this terrible situation to an end. Therefore, I say, fairly and squarely, that the responsibility does not only rest on U.N.O. and the technical considerations of whether this case can be heard, or whether Hyderabad is a sovereign State or not; the responsibility rests fairly on His Majesty's Government to exercise their influence and to use it in the right way, and in a stronger manner than, in my opinion, they have done up to date.

Some of my hon. Friends and I have wondered whether the affairs of the British Commonwealth could not, perhaps, be dealt with—to use the language of the Indian Government—as a "domestic issue." We have wondered whether it is not time that there was some Commonwealth machinery which could be brought to bear in disputes of this sort, which bring discredit on the whole of the British Commonwealth. There appears to be no Commonwealth machinery available at the present time. I put this forward on my own responsibility. What strikes me most strongly is that while the Government are ready to trek from one foreign country to another, it is only at this time that they are going to summon an Imperial Conference. It is high time that some of us were more inspired by the stirring words of visiting statesmen from the Commonwealth, such as those of Mr. Menzies. It is time we organised the Imperial position in regard to defence, trade, and foreign affairs much more intimately than it has been organised up to date. We are going, I hope, to discuss later, a Prayer on the question of Imperial trade and the menaces to it which may exist in present international trade arrangements.

We have heard practically nothing about Imperial defence. No doubt that can be raised next week in the Debate on Defence, but we are clear that the Empire is far keener at the present time to prove that it can speak with an independent voice than that it can speak with a united voice; we must make it a genuine third force, not the miserable third force of international Socialism, but that Imperial third force, which will stand between the two giants of East

and West. I trust, therefore, we shall hear some more about the Imperial Conference and that we may receive from the Government some indication of what is their attitude towards these matters.

I will turn now to home affairs and I think that it would, at any rate, be diverting to refer to that part of the Amendment which deals with partisan manoeuvres. It is manifestly clear to all of us, and, I trust, as a result of this Debate, to the country as a whole, that the Lord President is leading the House in an elaborately timed and calculated manoeuvre. To pretend, as he did when he spoke, that there is no connection between the new Parliament Bill and the Steel Bill is, I think, simplicity itself, and will not be believed by anyone. After listening to the right hon. Gentleman the Chancellor of the Duchy speaking late last night—and he is the champion "cat letter out of bags" for the whole Government—one would be in no doubt about the sinister manoeuvres for which the time of Parliament is being prostituted. But I will leave that because it was dealt with adequately yesterday by my right hon. Friend; I wish to turn my attention to the right hon. Gentleman in his self-advertised post of Editor of "Let Us Face the Future."

Sir Waldron Smithers (Orpington). Editor-in-chief.

Mr. Butler "Editor-in-chief," if the hon. Member for Orpington (Sir W. Smithers) prefers. I always like to follow his lead. While in "Let Us Face the Future" there are only three lines on steel, there appear to be about one and a half lines on the House of Lords in the following language: "We will not tolerate obstruction of the people's will by the House of Lords." Those are the words of the Editor-in-chief of "Let Us Face the Future," but what are the "Master's Voice" words of the right hon. Gentleman himself? Speaking—after the publication of this booklet, and after winning the General Election upon the false prospectus issued—he spoke to an international body where, I presume, he felt he must be extremely fair and righteous. The right hon. Gentleman, when addressing the Association of American Correspondents in London on 7th November, 1946, used these words; "Members of the House of Lords cooperate to the full in respecting the wishes of the British democracy as expressed in the so-called Lower House. There we have seen the remarkable and characteristically British spectacle of a Chamber with a large Right Wing majority passing one nationalisation Bill after another." Then he goes on: "The rarity of a conflict between the Lords and Commons is nowadays so great that most people take the smooth working of the two Houses for granted." Which voice of the right hon. Gentleman are we to believe? The right hon. Gentleman has shown by the conflict between those two statements that, in fact, we cannot rely upon the words he has used in this House.

The Lord President of the Council (Mr. Herbert Morrison). Perhaps the best voice which the right hon. Gentleman can take in this connection is that of those in the Conservative Party who have made it abundantly clear, and, indeed, threatened, that their Lordships will interfere in future legislation.

Mr. Butler I am not going to waste further time on this matter. I would like to ask the right hon. Gentleman whether, later in the Debate, one of his colleagues will substantiate that statement, because he has absolutely no proof upon which to go as to the future intentions of the Upper House, or any reason to deny that the Upper House, in every particular, has acted in a manner which has assisted in putting forward the legislation of the country as expressed, broadly, by the will of the people? Amendments have been made, such as that about the death penalty, which have considerably improved Bills, thus saving the right hon. Gentleman and his friends.

Mr. Morrison Would the right hon. Gentleman tell the House this? If there is nothing in this, why is it persistently alleged by the Opposition that the Parliament Bill is indissolubly tied up with prospective legislation about steel? Why do they persistently say that, if they have not made up their minds that their Lordships will oppose it?

Mr. Butler That seems to me to be a very idiotic interruption. The elaborate manoeuvre was brought to our attention due to obvious rifts within the Government itself which it was essential for the Government to heal by this shabby trick and by the inclusion in the Parliament Bill—which we are not able to discuss in detail today because it is not before us—of retroactive provisions which are clearly designed to deal with a potential Measure, namely, the steel

Measure. Upon this the Government ranks are hopelessly split. Far from "facing the future" the right hon. Gentleman and his hon. Friends have got just about as far as facing 1910. They are going back to the days of 1910 and 1911 in order to distract attention from their failure to deal adequately with matters on the home front.

Not only are they stirring up a new quarrel between the Lords and the people, which so far, from their point of view, has proved extremely ineffective, but they are also indulging in the same sort of invective more nobly used by the late Lloyd George, but used with less effect and indeed with more benefit to ourselves on this side of the House by the present Minister of Health. It is rather a remarkable fact that this invective cannot keep away from game. When Mr. Lloyd George, as he then was, talked of the pheasants of the rich eating the mangolds of the poor, he naturally put into the mind of his legitimate successor, as he imagines himself—the Minister of Health—the picture of vermin. The result is that we now have these gamekeepers turned poachers hoping to destroy the vermin in ermine.

Let us leave these matters and now consider some of the failures, of the Government on the home front. It seems to us, if we want to have a theme running through the whole, that instead of extravagance, which is a feature of the Government's administration, instead of general exhortation which has so far been unsuccessful, instead of interference in every respect with the freedom of the individual, the country wants to see a sanely and properly conducted economy, right action and encouragement to individual initiative. The country is sick and tired of seeing the people organised silly, bled white with taxation and regulated until they are callous and have not a proper regard for our laws.

Let me, taking this theme, just touch upon one or two heads which I think need attention at present. The first is a sanely conducted economy. The difficulty in talking on economic matters is that one becomes so abstruse, and certainly if one consults any economist of any party one gets more complicated than ever. Let me sum up quite simply what I think the main economic problem of our country is. It is to bring the resources we have available into balance with what we have to do. It is obvious that our efforts to balance our external accounts must reduce our resources. Yet what strikes one most in the present economic situation—and I hope the Chancellor will have something to say about this—is that the demands on our resources are increasing in a most alarming manner under several heads, and these I want to deal with.

First, I wish to refer to the extra burdens imposed by nationalisation; second, extravagance in Government expenditure; third, overseas commitments; and fourth, the danger, as I see it, to the social services by the very greatly increased costs which have been reported to us. When we examine the total bill of these increased costs we see that we are heading not necessarily towards recovery but towards a position in which the whole stability, to use familiar terms, of the British financial system may be called in question.

Looking first at the cost of nationalisation, we know that the deficit on the first year of the Coal Board was over £23 million. But what is not brought out so frequently is that the wholesale price of coal increased by 141 per cent. over 1938, taking the figures from the Board of Trade Journal. Not only are we getting in coal and many of the other nationalised industries very great deficits which have to be met, but the T.U.C.'s demands to tackle the wages question from the price angle, a point of view brought out in the leading article in "Reynolds News" last Sunday, and backed by the Co-operative movement, breaks down when one examines the increased prices which arise out of products from nationalised industry.

If the Government want to deal with the price question, let them start with coal prices, railway fares and similar matters first. The extent of losses on the Air Transport Corporation and the current subsidy of over £10 million are well known, but it is disturbing to see the report on the first eight months' nationalisation of the railways, included in this week's "Economist," in which they say: "On the present trend of the figures, it is quite improbable that the Railway Executive can earn very much, if anything, this year to meet the £28 million or so of interest on the portion of Transport Stock issued to pay for its assets." When we add to that, the greatly reduced profit on Cable and Wireless

compared with 1946, a reduction of nearly two-thirds, we are beginning to see that the taxpayers, having voted, alas, in a majority for nationalisation—not a majority of the country, but sufficient to return the Government—are going to find themselves landed with heavily increased taxation.

When we follow that up by looking into the extravagance of Government expenditure, the national figures grow even more alarming. It is not so much that one can make an impression by quoting great heads of extravagance, but all of us who have been round our districts during the Summer and have seen Government installations or camps or anything else, ask ourselves why bureaucracy cannot spend their money with the same care and attention as a private person spends his or her money? Why cannot they use their petrol with the same care and attention as the ordinary citizen has to use his petrol? I am absolutely astonished at the extra 60,000 gallons of petrol used by my late Department, the Ministry of Education, in the three years after my unfortunate demise. It really seems to me quite staggering when I remember the very small amount of petrol used in my time.

Mr. McAllister (Rutherglen) There was no work done then.

Mr. Butler Taking the Civil Service costs, there are today some 715,000 industrial civil servants as compared with 397,000 in June, 1939. The total salaries payable to these persons are £380 million a year compared with £137 million a year in 1939. So one can go on. The head in the Estimates "Works, buildings, stationery and information," amounting to over £75 million—of which stationery and the filling up of forms represents about £10 million, buildings £35 million, and the Office of Information nearly £4 million—are all matters which ought to be looked into by the Chancellor with a view to reducing extravagance in Government expenditure.

The more I look into the economic situation and attempt to keep it simple, the more am I sure that the only thing the Chancellor can legitimately raid now if we are to balance our accounts is excess Government expenditure. He himself acknowledged the limitations on the possibility of raiding profits in his own speech at Margate. Then there are the county agricultural committees spending £32 million, and many who have seen their operation and their use of labour can say that no private farmer would tolerate such practices on his own farm.

Information, of course, is most galling; and perhaps the most ridiculous advertisement of all is the white elephant on all the hoardings, now miserably going away from the unfortunate couple, who are said to be buying more and more national savings instead of this elephant. Anyone who knows the truth about national savings, and who wants to support the National Savings Movement knows that a statement like that is not true. It is not the case that more and more national savings certificates are being bought. That is largely because so many burdens are being imposed on the taxpayer that he has not sufficient money available to invest in National Savings at the present time, when the Chancellor of the Exchequer is indulging in the process of taking money away by force, instead of leaving it to the private citizen to put into savings and thus cure inflation.

In speaking about the social services, I am deeply anxious, because I suppose that I am committed as much as any other Member of this House to the expansion of the social services. I was responsible for one of the most expensive Departments, and it is largely due to my efforts that the cost of education has gone up so much. I was also deeply involved in the family allowances scheme which I helped to draft, the national insurance scheme, the national health scheme and many others. What I want to draw to the attention of the Government is that the cost of these schemes at the present time appears to amount in total to some £883 million, of which £487 million has to come out of taxation. While the original estimate for the health scheme was £152 million, of which £95 million was to come from the Exchequer, the approximate annual cost at the moment is £275 million. As for the dental scheme, the Treasury, after the Spens award, said that the total annual cost would be £27 million, and we are now told that there are something like 30,000 requests a day being made to the Estimate Board at Eastbourne for dental benefit of one sort or another. So much the better if we can afford it, but the total cost is not as stated originally, £27 million, but likely to be between £50 million and £60 million. In the same way, dispensing or pharmaceutical costs are going to be about £11½ million.

I am determined to do all that I can to save the social services in the interest of the people, as I think that they are an integral part of our national life, of the universality which I have always accepted in our society, and in the dispensing of the good things of life. But there is no greater menace to these services than the possible fall in the value of the pound. We are satisfied that unless we can receive some explanation from the Chancellor of the Exchequer there is grave danger in the present state of our national finances that we shall not be able to pay our way, and that those benefits, the cost of which has risen so staggeringly on top of the Government estimates, may not be able to be met. I therefore beseech the right. hon. and learned Gentleman to give us some reassuring answer for the sake of the people on these points.

I want to mention next, before I leave this heading, the question of Britain's aid to Europe. I understand that the Chancellor of the Exchequer is to refer to the O.E.E.C. arrangements, and that he is to make a statement on the balance of payments White Paper which is just published. I would simply remind him that some £70 million of our money is to be put into a pool for the sake of European countries, especially France, and some £50 million of European sterling balances are to be expended or allowed to be expended. I simply ask the Chancellor for an explanation of the way in which this money is likely to be spent? If it is to be spent on capital equipment, I must remind him that we can sell that ourselves in hard currency countries, and that we have great need of it here for our industries. I wonder whether in fact it is to be spent on raw materials from Empire resources, and whether he can give us an assurance on this matter? Unrequited exports, which is what this means, are like unrequited love—extremely exhausting and not very rewarding. As we have these large amounts of money to make available to Europe, and as we are accepting the Marshall Plan as a whole, any further explanation which the Chancellor of the Exchequer can give will be very well worth our attention.

Leaving aside the difficulties of the export trade and the fact that import prices have mounted and export prices have not risen sufficiently to balance them, I want, before I conclude, to deal with two matters of manpower. Leaving aside expenditure, it would appear that in manpower the Government have not met the targets which they undertook to meet. The coal target has not been fulfilled. The agricultural target—that is 55,000 extra—has been met to the extent of 28,000. In textiles, out of a total requirement of 108,000, only 23,000 have been met. In coal, perhaps the most striking statistic is that brought by Mr. T. E. B. Young from his visit to America, that in America productive workers in the coal industry are 72 per cent. of the whole, as compared with non-productive; and in this country only 26 per cent. are productive as compared with non-productive. I ask the Government to give us any further explanation which they can on that.

Dealing with the agricultural workers, I have a very important matter which I want to raise before the Government. I do not believe that we will get more workers in agriculture unless their conditions of life are improved. I do not believe that if the Government make statements about providing extra food for agricultural workers in the shape of onehalf point a day during harvesting and at other special times, and then there are no points available to honour that promise, that we can obtain satisfaction from the agricultural workers. The agricultural workers of the country have put in perhaps longer hours and greater effort than almost any other section of our working population. We have been disgusted ourselves to find that in the absence of canteens, which are so difficult to organise in the country, and in the absence of support from the unions for increased food for the agricultural workers, farm workers, who have been working 14 hours a day, have been obliged to exist on bread and margarine or bread and beetroot or other insufficient diet. This is when the workers have been conducting most severe harvest operations caused by the laid crops. It appears that the Government act on the advice of the unions in this matter and it is a disgraceful situation.

If the Government promised extra points to farm workers they ought to have made some administrative arrangements whereby points were held back in the country districts for distribution of food to the farm workers, through the farmers' organisation. I raised this matter in the Summer, after my experience in the harvest fields in Essex, and, so far, I have received no satisfaction from the Government, except to say that the Minister of Food will try to put

farmers in touch with the grocers who have points for the benefit of the agricultural workers. Unfortunately, in my district there is a shortage of vital points, and this means the men cannot get sustaining food to enable them to do their work. I do not know whether the hon. Member for Preston (Dr. Segal) has given part of the game away in a recent speech to his constituents in which he said, "We shall get a Budget on the eve of the General Election that will make all the trials and troubles of previous Budgets fade into unpleasant memories." All I can say is, that if we are keeping proper rations for the farm workers to the harvest before the General Election that is not the way to treat the most hardworking section of our population.

I will conclude on a line which I think ought to commend the general assent of the House. That is, that if we are to obtain more productivity, we must give more leadership and encouragement to the individual. The right hon. and learned Gentleman has spoken in a courageous manner at Margate. But his words have not yet reached the worker at the bench. I do not believe the workers of this country will give of their best to production unless they are appealed to in exactly the same way as the great armies were appealed to before a great campaign. That is to say, they must be given the best tools and weapons—we cannot rely entirely upon the human element—and at the same time all ranks must be encouraged by having a knowledge of the objective, and incentives. On giving them the tools and weapons I would simply say that I hope the Chancellor in his plans will remember the need for more capital goods in British industry if we are to improve production, and will not let the whole capital expenditure budget be spent on other things.

In regard to incentives and encouragement, I know that the Lord President has been guilty of saying in one of his broadcasts that much of what is said about incentives is bunk, but without these modern incentive schemes I do not believe that the right encouragement can be given to a worker to enable him to realise the part he or she is playing in the production drive. Managements, too, want further encouragement; they want encouragement in every way, and they want to be rid of some of this superfluous planning and excess of controls. In fact, I was delighted to see that the T.U.C. report to the General Council at Margate was almost verbally inspired by the Industrial Charter, because what do we find? We find almost the same wording in this report, which says that what is required is not more planning, but more production to implement the plans that are already there. And what do we also see in this report? We see it says that the allocation of materials ought to be handed over to industry so that we do away with some of the Government interference in planning. I know of the great success the Industrial Charter has achieved in the country; I know of the converts on the benches opposite: but I am glad to welcome to our ranks the T.U.C. General Council. We believe, quite sincerely, that in our policy towards industry we have put forward this doctrine of humanising the relations between the management and the worker, and we believe that that is the basis of all good future production.

It is because the Government are distracting attention from this vital need of unity in industry, this vital need of getting together in all parties to solve our production problems, because they are distracting attention by partisan policies, because as a team they are not cherishing and cultivating the unity, that we move this Amendment. It is because they are turning their attention instead to Socialist power politics to seize the steel industry, to upset the power of the House of Lords. because they put power politics before idealism, and because they are not putting this country's needs first that we call down upon them the censure of the country.

3.24 p.m.

The Chancellor of the Exchequer (Sir Stafford Cripps) One feels a great sympathy for the right hon. Gentleman in having to make a speech such as he has just made because he was moving a partisan Amendment. I do not propose to deal with any of the points which he made beyond those on the economic side, because I feel it my duty to put before the House the most recent results of our economic struggle. I am very glad to be able to give the House that up-to-date information, particularly as to our present balance of payments situation, because I think it provides a good general measure of our economic progress, and is a complete answer to any of the criticisms which the right hon. Gentleman

has made 3 of our policies. I am the more glad to be able to give that information today because I think it should be of a heartening character to the country, and should provide encouragement and stimulus in the further efforts that we are all still called upon to make.

We have available in the form of a White Paper—Cmd. 7520—which has been issued this afternoon, the result of the first six months' effort of this calendar year so far as the balance of payments is concerned. Those figures, as I will point out, show a very great improvement over those of 1947, and a close approximation to the hopeful target which we set out in the Economic Survey.

Any feeling of optimism which is engendered by those results must, however, be tempered by these qualifications: first, that we do not let up in our efforts or in our self-restraint, for these two have together brought about our present improved position; second, that our friends in the rest of the sterling area continue to give us the splendid support that they have done, particularly over the last year; third, that there is no exceptional element that intervenes in either the political or the economic sphere to upset our achievement; lastly, that the measures for European cooperation go forward with the same vigour and determination in the sphere of economic action as they have done since, a few short months ago, the O.E.E.C. came into being.

The figures in the White Paper tell the story of what I regard as six months of really fine effort by the British people, and, though these statistical tables may appear dry and uninspiring, the facts that lie behind them are very far from being so, as I think the House will recognise when I go through the figures, as I now propose to do.

In 1946 we set out, hopefully but with some considerable realisation of our difficulties, to recover from the huge unbalance in our external account which had been created by our deliberate and necessary renunciation of our export trade during all the latter part of the war. Many of our most valuable economic connections were severed, and we had sold, as the House knows, a large part of our income earning overseas assets. With surprising speed we rebuilt our export trade and re-established our commercial connections, so that by the end of 1946, the first post-war year, our total deficit for the year was only £370 million—[HON. MEMBERS: "Only? "]much less than most of us could possibly have expected under the circumstances.

The figures in Table I of this White Paper show how these favourable results of 1946 were reversed in 1947, and how the dollar crisis swept over the greater part of the world and most grievously affected our own position as the mainspring of the sterling area, so that the drain on our gold and dollar resources became almost disastrous. The rapid rise in prices following the removal of price controls in the United States in the middle of 1946 accentuated the dollar crisis, and its effect upon the rest of the world was to create other payments difficulties which were reflected back on us in terms of gold and dollar costs. It can also be seen from that Table how the fuel crisis, early in 1947, checked the rising tide of our exports and so set us back in our overseas balance. So we observe that, a little more than a year ago today, we in the sterling area were confronted by one of the most severe economic crises we had ever faced.

Now let us pass to the first half of 1948, when the results of the many and varied measures we took to meet this crisis in our affairs began to be measured. We can now look back over the first six months of 1948, and take stock of what progress we have made and what has still to be done. To this part of the White Paper I now turn, but before doing so I must draw the attention of the House to the corrected figure for the deficit in 1947, which now appears at £630 million sterling and which is smaller by £45 million than the estimate which was published in the White Paper on the Balance of Payments in February of this year. It will be remembered that this earlier Paper referred to the Estimate as "very provisional," since it was put together long before much of the necessary data had become available in its final form. Now we have much more complete information about 1947, and the new figure of £630 million given in today's White Paper is more accurate.

Although there are a number of detailed changes between the two figures, the revision can be summed up by saying that our estimate of total payments is practically unaltered—it has actually gone up by £2 million—with smaller payments for imports offset by larger payments on invisibles; but the estimate of total receipts has increased; the decrease in the figure for export income of £23 million has been more than offset by £21 million in larger receipts from shipping, and by £7 million more from interest, profits and dividends. We also now have a reasonable estimate of receipts from travel in the United Kingdom which was not available before and finally the figure for net receipts from various miscellaneous transactions has been written up to plus £3 million from minus £20 million. Hence the total difference of £45 million in the figures. I may add that our sources of information upon all these matters are constantly improving very largely as the result of the detailed discussions we have been having with many other countries during our negotiations with them. This underlines perhaps the provisional character of the results for the first half of 1948 with which I am dealing, but I do not think that the final version will show any markedly worse result than that disclosed now. The variation is likely to be in the other direction.

The most outstanding fact as to the first half of this year is that our total deficit with the whole of the rest of the world has been reduced to £140 million, or an annual rate of £280 million, compared with £630 million in 1947, a reduction of approximately 55 per cent. Hon. Members will recall that in the Economic Survey we estimated tentatively that our aggregate deficit might amount to £136 million in the first half of 1948. To all intents and purposes this general forecast has been fulfilled.

Mr. Osborne (Louth): Can the Chancellor tell us what the deficit was for the first six months of last year?

Sir S. Cripps: I cannot without referring to documents, and I think it would break the thread of my argument if the hon. Gentleman wanted me to get that information now.

The general figure overall, however, is not the whole story. When we look at the details of how that reduction has been accomplished large variations between the forecast and our actual experience are disclosed, and I think it is worth while to examine the significance of these differences.

First, let me take imports. We spent on imports, in the first half of 1948, £887 million; the forecast was £792 million. We spent, therefore, £95 million more than we had anticipated upon imports. That was only to a very minor extent due to any higher volume of imports than we had planned for. We actually estimated a volume of imports at 76 per cent. of the 1938 total, and we imported 78 per cent. Such an overall comparison might be misleading, but with one or two exceptions, which I will mention later, we did not pay for a larger volume of imports than we had expected. The difference is basically a consequence of the rise in import prices, a rise which has proceeded continually and amounted to 10 per cent. during the half year. I and many other people have constantly drawn attention to the damaging effect to our economy of this rise in prices of foodstuffs and raw materials which we must import to keep our own production going.

Looking ahead for a moment there is perhaps not quite so black a prospect as there was; there is the possibility of some relief so far as some commodities are concerned. The good world harvests, and particularly the bumper crops of coarse grains in the Western Hemisphere, have already affected the prices of cereals, which are an important element in our imports. Although we do not want to see any catastrophic fall in prices of raw materials and foodstuffs, because that would only further upset world economy, we can very legitimately welcome a reasonable fall. On the other hand, the prices of many industrial commodities, particularly metals, are still rising and show very little signs of any fall. They are being supported, of course, by the very high level industrial activity throughout the world, and although they are a matter of vital concern to us in our overseas balance, unfortunately, by our own efforts we can do very little to influence them.

Imports, therefore, cost us £95 million more than we expected, largely because of the rise in prices, but export prices also rose, though only by 3 per cent. Therefore, the terms of trade moved heavily against us during the six months. Our exports earned £731 million, which is £26 million more than we had forecast, so that to that extent the increase in the cost of our imports was offset.

This export effort is, in my view, worthy of very high praise of those who made it. Between December, 1947, and June of this year, the volume of our exports rose from 120 to 138 per cent. of the volume of 1938. By the end of June, 1948, it had almost certainly hit our target figure of 140 per cent. of the prewar figure which, I may say, has since been well exceeded. This must be described as a very fine overall achievement, and one which reflects the greatest credit to all those industrial and transport workers, managers, technicians, staffs and salesmen who have enabled this vast volume of British goods to be produced, sold in the world markets, and delivered to the four quarters of the globe. It is on this effort that our recovery has been based, and it is upon a continuance and spread of the energy, initiative and drive that have been shown that we can base our confidence in the successful achievement of our objectives. I want to deny specifically that any part or section of our people are not working well. Some individuals it may be are slacking, but the people as a whole—no, they are doing their stuff, to use a colloquialism.

Summing up this part of the story, we can say that on visible trade account we showed a total deficit of £156 million for the half-year, which is £69 million more than we had forecast. But now I come to what is perhaps the most hopeful development shown in these Tables, the definite signs of recovery in our invisible income. Nothing, perhaps, was more disturbing in 1947 than our heavy adverse balance on invisible account. In 1938 we had had a net income on invisibles of £232 million equivalent at that date in value to more than a quarter of our total imports. In 1947 we had a net deficit of £192 million—a changeover of £424 million on invisible receipts. A good deal of this change was accounted for by much heavier Government expenditure overseas, an increase from £16 million in 1938 to £207 million in 1947. But it was also due to a loss of income on overseas investments, because we had to sell them, and it fell from £175 million net to £50 million, to smaller net shipping receipts because the ships were at the bottom of the sea, and to heavier expenditure over a large range of commercial activities in re-starting the machinery of export.

In the first half of 1948 we had expected some considerable improvement in this part of our accounts through smaller military and other Government expenditure, particularly on relief and on Germany, and through some recovery in shipping and other receipts. Our actual performance, however, has exceeded our expectations. On Government account we spent about as much as we forecast, but our receipts from various war-time settlements and from sales of surplus stores abroad were higher. It is, however, on the receipts side that our most striking advances have been made. We have earned more from shipping. Compared with a net income of £30 million in 1947, we earned at the rate of an annual income of £66 million in the first half of 1948.

Our receipts from travel, which are shown for the first time, were up from £19 million to an annual rate of £28 million, and we expect the second half year to make an even better showing still because of the Olympic Games and other matters. Also this is the time when there are generally more foreign visitors. Finally, the net income from all other financial and commercial activities has also risen much above our expectations. This latter item is a compound of many varied items of both expenditure and income, but it is possible to say that the income from the overseas operations of our oil industry has increased, and I am sure that will be a matter of great satisfaction to all those who have contributed to it by their abstinence in the use of petrol in this country.

In the upshot, therefore, the net result on invisible account—which showed a deficit of £192 million in 1947, and which we expected to be reduced to £49 million in the first half of 1948—actually came out at a surplus of £16 million. I believe this marks the beginning of an upward trend which will be maintained, so that in time our invisible income will once again make a significant contribution to making up the balance on our overseas trading account.

So to sum up the situation, these provisional figures show that, compared with the Economic Survey forecast for the first half of 1948 we had a visible deficit £69 million larger, but a net invisible income £65 million greater, giving a total deficit of only £4 million more than the forecast. These figures, as I have said, may still be subject to a good deal of detailed correction, but they are sufficiently near the mark to indicate that the better performance on the invisibles offset the extra deficit on the visible trade balance, which was itself largely due to increased prices of imports.

That overall picture with which I have dealt needs, of course, some sub-division into various areas of currencies, because our problem is not merely one of achieving a reasonable balance in the total of our overseas payments. That would be so if currencies were convertible, but they are not. We have also to solve the even more stubborn problem of achieving a balance with the Western Hemisphere. The White Paper gives, in Table II, an analysis of the movement in our visible and invisible balances with four main geographical areas, and this shows clearly the way our position has changed over the past few years. With the Western Hemisphere we had in 1946 a deficit of £360 million, almost exactly the same as our total deficit for the year. By 1947 that deficit had increased to £670 million, an increase in which visible and invisible trade shared almost equally. Not only did the increase in the cost of imports far outstrip the rise in receipts from our exports, but our expenditure overseas on feeding Germany and on many commercial purposes increased heavily just at a time when much adventitious income which we had received in 1946 after the war came to an end. Not only has that process been reversed in the first half of 1948, but we have got back to a rate of deficit not very different from that of 1946. And this despite a rise in import prices, which has affected our Western Hemisphere imports as much as, if not more than, those from anywhere else.

We have reduced our expenditure on Western Hemisphere imports from £716 million in 1947 to an annual rate of £588 million in the first six months, a reduction in value of nearly 20 per cent. and in volume of nearly 25 per cent. That is a pretty quick switch-over within a six months' period. At the same time our exports have gone up from £164 million in 1947 to the annual rate of £234 million in the first half of this year, an increase in value of over 40 per cent. Those are remarkable achievements in so short a time.

The reduction in imports has entailed some sacrifice to the people of this country, who have forgone desirable goods, particularly those types of foodstuffs from the Western Hemisphere which provide variety in the diet; but they have the satisfaction of knowing that by their action they have contributed largely towards the solution of our dollar problem and, what perhaps is even more important, have strengthened the position of sterling in the world. The increase in exports has meant breaking entirely new ground in markets where competition is very severe, such as the internal market of America itself.

As a consequence of these developments the visible deficit with the Western Hemisphere has been reduced from £552 million in 1947 to an annual rate of £354 million in the first six months of the year, a reduction of one-third. Simultaneously, as I have said, we have greatly improved our position on invisible account. As a result of sympathetic co-operation by the United States, our dollar expenditure on maintaining our zone of Germany has been very largely reduced and we have earned a good deal more in dollars from shipping, tourists, oil sales and a number of other sources. This was forecast in the Economic Survey, and those forecasts have largely been fulfilled. The result is that our Western Hemisphere deficit, overall, of £670 million in 1947 has been reduced to an annual rate of £390 million in the first half of this year. That is actually a little larger than the Economic Survey forecast, which was £183 million in the first six months—an annual rate of £366 million.

But apart from the question of price increases, which I have already noticed, there are one or two special factors which have affected the Western Hemisphere position. For example, we spent £11 million on tobacco, as against a forecast of practically nil. That was done because we had a very favourable opportunity of anticipating expenditure which would have been incurred anyway a little later on and of getting tobacco at a very cheap price. We also received under a

number of our contracts rather larger deliveries of foodstuffs in the first half year than we expected—but this means a smaller expenditure, of course, in the second half of the year.

As a result of these special factors, we spent on imports from the Western Hemisphere £294 million, which is £27 million more than our forecast, a very small excess in view of the increase in prices; and this was partly offset by an increase of £12 million in our export proceeds. I think that is a good record of progress for six months in reducing the size of our Western Hemisphere deficit, though be it remembered that deficit was still very uncomfortably large, at a rate of just under £400 million a year; and it still remains the most difficult problem with which we have to deal.

It is this particular lack of balance, above all, that must be removed if ever we are to stand on our own feet without external aid. For the time being the aid we are getting under the European Recovery Programme is helping to bridge this all-too-wide gap. Without that aid we should have had to cut off vital supplies of food and raw materials, with the gravest consequences not only to our standard of living but to our capacity to produce. We can certainly draw encouragement, as I have said, from the progress that we have made, and confidence that we are on the right road, but we still have a long and difficult journey to travel—

Professor Savory (Queen's University of Belfast) Hear, hear.

Sir S. Cripps —which Northern Ireland will travel with us.

I now turn to our experience with other parts of the world. These are divided into three main areas—the sterling area, the European countries which are joined together in the Organisation for European Economic Co-operation, and the rest. With the sterling area we have increased both our imports and our exports roughly at the same pace. On the imports side, the increase reflects the success of our efforts to switch our purchases from the Western Hemisphere as well as the great efforts which other Commonwealth countries have made to supply us. We have likewise done our best to supply them with what they required, for their markets are, of course, by tradition, among our most important, and we hope they will so remain.

Between 1947 and the first half of 1948 the value of our exports to the sterling area has risen by nearly a quarter. The parallel movement of imports and exports has meant no substantial change in our visible balance with the rest of the sterling area, but our position on invisible account here also has improved. This is particularly due to the falling-off of overseas Government expenditure. The result, therefore, is that we come out with a surplus on current account for the first six months at the rate of £140 million a year.

That we regard as a useful surplus; indeed, it repeats the normal pattern of our pre-war trade in this respect. It has assisted to reduce the drain on our gold and dollar resources by making possible the switching of purchases, and it also reflects, and is in a sense a measure of, the continued investment by this country in developing the productive resources of both the Colonies and the Dominions. It, therefore, contains an element which will be of much help to us in the future.

With the European countries, the O.E.E.C. countries, the pattern of our trade presents some striking changes. In 1946, when European recovery from the war had hardly began, we had a surplus on visible account of no less than £137 million. This was, it is true, very largely offset by a deficit on invisible account, but a surplus nevertheless remained. By 1947 our imports had greatly increased while exports had changed very little, so that we had just a small trading surplus with Europe. This year both have increased again, but exports a little faster than imports. We have, however, now converted a large deficit on invisible account into a small surplus; that is, we are now supplying more in goods and services, particularly in shipping and in oil, than we are receiving in the aggregate. The excess in the first half of 1948 was at the rate of £80 million a year. The House will realise that this has been a contribution by us to European recovery. It must be read in conjunction with the large surpluses which other members of the sterling area have been

showing in their trade with certain of the O.E.E.C. countries, all of which, taken together, constitutes a very large volume of aid to the recipients by the sterling area as a whole.

The last group in the Table includes the European countries which are not members of the O.E.E.C., those of Eastern Europe, most of the Middle East including Egypt and the Sudan, and most of the Far Eastern countries. It is here that we get the greatest impact of the rise in prices of our imports, and it is here also that we have had the greatest difficulty in expanding our export trade. Expenditure on imports has gone up to nearly three times the 1947 figure. Much of this is due to additional supplies of food and feedingstuffs from Eastern Europe and elsewhere but much also is due to the abnormal increase in the price of certain raw materials, notably cotton. In the event our deficit has risen from £15 million in 1947 to a rate of £110 million in the first half of 1948. There are very many difficulties to be overcome in achieving a reasonable balance with the countries in this group, but the most hopeful development would be to bring about a substantial increase in our exports and in those of other sterling area countries, and every effort is now being made in that direction.

That completes the explanation of the figures in the first three Tables of the White Paper. But hon. Members will also be interested in the drain on our gold and dollar resources since 1946 and in the statement of the financial exchanges between ourselves and rest of the world in terms of movement in capital assets and the change in sterling liabilities.

In the White Paper we have given a rough analysis of the way in which the drain on our resources has come about. In 1947 the deficit of the United Kingdom with the dollar area amounted to £657 million. This has been reduced to £186 million in the first half of 1948. The rest of the sterling area in 1947 showed a deficit of £204 million after taking into account purchases by us of new gold. In the first half of this year the comparable rate was only £38 million, so that though we still have some way to go before we get back to the 1946 position, when the rest of the sterling area showed a surplus of £45 million on gold and dollar account, we are making progress.

We greatly hope, of course, that something like the 1946 pattern or even better may soon be re-established and that the deficit which the rest of the sterling area has with us may, at least in part, be offset by their net gold and dollar earnings. Meanwhile, however, we do most gratefully acknowledge the great contribution which the sterling area as a whole has made in helping to relieve the problem of the drain on our gold and dollar resources. The achievement in six months since the end of 1947 has been immense, and we are most grateful to all those in the Commonwealth and Empire who have rallied in this voluntary cooperation to meet and overcome this serious crisis in the affairs of the sterling area.

We have encountered certain difficulties in balancing our trade and payments with some European and other countries, which show themselves by payments in gold and dollars to countries outside the dollar area to the extent of £49 million in the first half of 1948. This was at a very much lower rate than our similar losses in 1947, but on the other hand it exceeded the loss of £31 million, which had been forecast in the Economic Survey, by an unfortunately large margin. This is one of the most difficult aspects of our problem and it is a very constant anxiety. To a very considerable extent the European Payments Agreement, if it comes into operation, should help to alleviate those particular difficulties.

The total drain on our gold and dollar resources is thus shown to be £254 million in the first half of this year, a figure which has already been given in the quarterly announcements made to the House. In other words, the drain was at one-half the 1947 rate. That is still a very large figure indeed and much in excess of the aid we are receiving or are likely to receive under the European Recovery Programme. All our efforts must therefore be bent on still further reducing that figure. In the second quarter of this year it was, however, substantially lower than in the first, and of course it was only during that second quarter that we started to receive E.R.P. aid. It is our unalterable policy that during the period of the European Recovery Programme our reserves of gold and dollars should not fall any further. It

is still true, therefore, that even the maintenance of imports from the dollar area at their present level depends on continuing improvements in our earnings from the dollar area by visibles or invisibles.

The figures given in the White Paper show only the beginnings of the assistance we are receiving under E.R.P., because up to the end of the first E.R.P. quarter, that is, up to 30th June, all the preliminary arrangements had not been completed and we had, in fact, been reimbursed only to the extent of £22 million for a volume of actual expenditure very much larger. There will, of course, always be a considerable lag in these payments, but we hope that as the technique of dealing with them becomes more familiar to all concerned and more settled, the amounts outstanding, representing expenditure which has not yet been reimbursed, will gradually diminish.

But we are primarily concerned with the results of our own efforts, and it is encouraging to know that, despite the continuing rise in the price of many of our imports and the worsening of the terms of trade against us, we have, with the help of E.R.P., been able substantially to reach a point where there should be little or no net drawing from our reserves. It is not possible at any given moment to say exactly how far what we are owed under E.R.P. will balance the amount which since its starting date we have been obliged to draw upon our reserves while awaiting payment, but very roughly the indications are that, for the time being, these two figures about balance each other. That covers the dollar side of the picture.

We now turn to the other capital transactions which have taken place in 1948. As I have explained before, capital movements to the sterling area consist of a large number of varied transactions which range from genuine long-term investment in the development of sterling area resources to a movement of so-called refugee funds or "hot money." It also includes funds taken out by emigrants, which is a very substantial item. It is impossible to divide up the total into these various classes. In the aggregate, however, the movement was very heavy in 1947, and it so continued in the first part of 1948. We provisionally estimated it at £145 million, but I must warn hon. Members that that is a very hazardous figure and is likely to be subject to a great deal of amendment as we get information from other parts of the sterling area; but there is no reason whatsoever to doubt that the movement was a very large one. If there had been reason to suspect that it was likely to continue at the same rate in the second half of the year, there would have been cause for very serious concern, since obviously a good deal of the funds so transferred have not been intended for productive purposes. There is, however, unmistakable evidence that the major part of the movement was concentrated in the early months of the half year and that by its close the refugee capital element in it had been reduced to very small dimensions.

We must remember that as long as the sterling area system remains a great multilateral trading area, where payments for goods and services are largely free from control and where movements of funds on any scale are permitted, such transfers of capital as we have seen in the past year are always possible. In so far as they are simply "hot money" they serve no useful purpose, but they do add greatly to the difficulties of those whose business it is to manage the financial affairs not only of this country but of the other countries to which they go. But genuine investment in the development of industry and of natural resources in the Commonwealth is an indispensable part of our recovery programme and we must not under-estimate the extent to which such investment has been and is taking place to-day.

I come finally to the movement in sterling balances, a matter which has on occasion excited a good deal of controversy. Taking first the non-sterling area countries, compared with an increase of £2 million in our sterling liabilities in 1947 there was a decrease of no less than £142 million in the first half of 1948. Two countries, Argentina, which has been supplying us with produce in return for our earlier loan to her under the Andes Agreement, and France, which has been experiencing a very large deficit in her balance of payments with the sterling area as a whole, are responsible for the larger part of this great decrease.

The rest of the sterling area shows quite a different development. In 1947 our liabilities fell by £147 million, a movement which reflected the great unbalance in the position of the rest of the sterling area, particularly with the

dollar area. During the first half of 1948 balances have increased by as much as £116 million. Two factors must be held primarily responsible for the increase, first, the inflow of capital I have already mentioned, and, secondly, the emergence of a substantial surplus by the rest of the sterling area in its trade with the non-dollar world, particularly the European countries of O.E.E.C. These large changes since 1947 emphasise the great volatility of the movements in this field of overseas economics, and show the danger of drawing any conclusions from short-term developments. We are in the middle of a changing pattern of international economic relationships, and we must not allow short-term exigencies to confuse our longer-term vision if we are to work out a stable policy.

Although I am afraid I have already detained the House for a long time, I must make some reference to recent events at O.E.E.C. in Paris, because they are intimately connected with what I have said. The magnitude of the task which lies before us is emphasised by the results of their work. Our share of the direct dollar aid for the year mid-1948 to mid-1949 is 1,263 million dollars. That is a measure of the deficit which we must make good before we can in the words of the Economic Co-operation Act be free of "extraordinary outside assistance." It is a very large sum of money, and let us remember that it is only made available, in addition to the very large dollar aid to all the other participating countries, by the wise generosity and sacrifice of the American people. Even this large amount is only what the O.E.E.C. have decided is necessary to cover our most pressing needs of food, raw materials, equipment and petroleum products from the dollar area. There is no margin for improvements of consumption which are clearly needed and which would help production, nor is there scope to accelerate our investment programme. These extras must come out of our own added effort.

My right hon. Friend the Foreign Secretary pointed out yesterday what a remarkable feat the O.E.E.C., a young and comparatively untried organisation, had accomplished in being able to make proposals for the division of the American aid this year, and I fully endorse what he said on that subject. I am glad that our anxieties as to the possibility of this job being done by O.E.E.C. have proved groundless. The agreement reached is a very great tribute to the vitality of the Organisation and to the spirit of cooperation among the participating countries. It is hard enough if one wants to get a number of Government Departments to share out a certain amount of income, but when one has 18 different countries trying to do the same thing, it is infinitely harder.

The division of this aid has, of course, finally to be confirmed by the E.C.A., and I would like to emphasise at the outset that our acceptance of the proposed division of aid is subject to satisfactory arrangements being made for the European payments scheme and for the associated European trade rules. Provisional agreement has also been reached on the European payments scheme, though certain points still remain to be settled, including one important issue of principle to which I will refer in a moment.

The magnitude of the second problem for solution is shown by the estimates prepared in Paris, that if trade is to be kept moving within Europe this year at the level required to promote the maximum degree of recovery, upwards of 800 million dollars worth of goods have to be provided by the supplying countries within Europe in excess of what the recipient countries could pay for out of their current earnings. In fact, this is an internal Marshall scheme for Europe itself. It has to be remembered in this respect that for this purpose the associated monetary areas of the European Powers are dealt with as part of the European problem, so that this covers a vastly greater area than Europe itself.

It is a great European achievement that this problem has come so near solution, and I think we can claim credit in our country for the fact that, in spite of our difficulties and the sacrifices that our people have already had to make, the United Kingdom will be by far the largest contributor under the scheme. We shall be contributing in two ways. First, we shall be making a net contribution in 'sterling, a gift, to the value of 282 million dollars in the form of grants to various European countries. Secondly, we have undertaken to allow those European countries to run down their sterling balances to an extent equivalent to 209 million dollars this year, making a total of 491 million dollars which we contribute in goods. Therefore, in terms Of unrequited exports to the participating countries, we contribute nearly

500 million dollars. That will not be entirely goods from the United Kingdom. It will, in fact, as to at least two-thirds, if not more, be contributions from the countries of the sterling area in the form of raw materials and other supplies, for which, however, we shall accept the sterling liability. That will enable all participating countries in Europe fully to finance their requirements from the sterling area as a whole, and represents, I think, a major contribution by the sterling area to European recovery and co-operation.

The United Kingdom will, it is true, be supplying machinery of various kinds and vehicles to Europe at a rate which will be very nearly the same as that of the United States of America, and large amounts of raw materials will, as I have said, come from the rest of the sterling area. But we must carry this through if we are to see economic co-operation succeed in Europe. It is the absolutely fundamental basis for the possibility, and it is only upon that economic co-operation that the idea of Western Union can be successfully carried through. And all this must be done while we are still continuing to expand the total of our exports to other countries in order to improve our own balance of trade position, and particularly, expanding our exports to the dollar markets. In this connection I should like to refer once again to the generosity of Australia in making us a gift of £A10 million to help us in discharging this liability to Europe—[HON. MEMBERS: "Hear, hear."] It is a most valuable contribution to this common effort.

There is, as I have said, one important point still outstanding, and this concerns the use of our sterling grants by participating countries to make payments to other creditors. It has been suggested that if any of the countries who receive the sterling grant cannot get the goods for which they wish to expend it, they may then go to any other country and spend their sterling in that country. Now if that were allowed as part of the arrangement, it would almost inevitably involve us in payments of gold to those European countries whose currency is hard, and we clearly cannot accept such a possibility. There is one particular reason why that is likely to happen—because, whereas we have supplied to Europe all the sterling that they will require on the accounts that have been carefully examined, the Belgians have not felt able to supply to Europe all the Belgian francs that they require. Out of 280 million requirements they have felt able to supply 200 million, out of which we shall get the benefit of 30 million dollars equivalent in Belgian francs. But with this deficit on the Belgian account it would be very likely that our sterling would be spent in Belgium, and as we are, as the House knows, just on the gold point under our bilateral agreement with Belgium, that would immediately mean that we should have to pay in gold, and that we could not possibly tolerate.

It would indeed, I venture to suggest, be a somewhat curious outcome of this effort of European co-operation if the one country which made the greatest contribution to it was the only country that had to pay gold for it. The whole purpose, as I have pointed out, of the payments scheme is to enable European trade to be carried on without any recourse to gold or dollar payments by way of margin, and as we are making this very large contribution to cover the sterling needs of participating countries, we certainly cannot indirectly cover their needs for other scarce European currencies as well. We have made our position on this quite clear in O.E.E.C. and we cannot depart from it.

The other vital factor associated with the payments scheme is the establishment of a satisfactory set of European trade rules as to which we took the initiative in Paris. We are a major creditor in Europe and we must therefore ask that effective rules shall be laid down which will make effective our contribution to the European payments scheme. Substantial agreement has now been arrived at on these rules which will, we hope, secure that the contributions made by creditor countries are not wasted but are put to good use to promote lasting recovery and equilibrium in debtor countries. Full details of these will be made available as soon as the final agreement is reached.

Our acceptance of the payments scheme, and of the United Kingdom contribution to it, is of course subject to the authority of Parliament being obtained for that contribution, for which legislation will be necessary and will be introduced in the course of next Session. Meantime, if it proves possible to inaugurate the scheme on 1st October, as is the present hope, I propose to arrange that any initial advances that may be required of us are duly made on that date

in anticipation of Parliamentary approval. I am sure the House will agree with me that that is what we ought to do, and not hold it up because of the necessity of getting that approval.

To sum up. Our policy remains as it has been—so to organise our affairs that, within the shortest possible space of time, we shall have reached a situation in which we can be independent of any special external assistance. Under the European Recovery Act we are given a breathing space during which the necessary re-organisation in our pattern of production and trade can be achieved without those extreme sacrifices in our standard of living which would otherwise have been inevitable. A year ago we were in the midst of an acute and dangerous economic crisis. We had to make a number of quick and firm decisions which were not wholly popular, but the House will observe from this White Paper, and my commentary upon it, that we have made some good progress as the result.

We have still a long distance to travel, and there are many difficulties in our way. The hardest and most stubborn parts of our problem remain still to be solved, but we recognise and pay tribute to the great and successful efforts that have already been made by our people. We must press forward confident that we are on the right road, and encouraged by the clear knowledge that by the time the four years of the Marshall Plan are over we can, by our own efforts, reestablish our economy and independence and improve somewhat our standard of living. That is a more cheerful and heartening view than we could have taken 12 months ago, because it is based not upon mere guesswork but upon a proof during the past six months of our capacity to deal successfully with our problems.

4.26 p.m.

Mr. Osborne (Louth) Hon. Members opposite will agree that it is not easy to follow a speech like that of the Chancellor of the Exchequer, and I beg them to give me a hearing. First, I want to congratulate the Chancellor personally on the magnificent report of a wonderful achievement in the past six months and I join with him, as do all hon. Members on this side, in congratulating the workers of this country on having put up a wonderful performance. In so doing, may I remind his hon. Friends—the Chancellor knows it—that between 85 and 90 per cent. of the industry of this country is still in the hands of private enterprise. I would ask the Chancellor to pass a message on to his colleague the Minister of Health not to sneer so often at men who are doing a magnificent job of management. I beg hon. Members opposite to realise that no group of industrial workers can do their best, or produce the marvellous achievements which the Chancellor has reported to us today, unless they are intelligently and well organised. Therefore, I claim that to no small extent the business men of this country also have done their share, as I am sure the Chancellor will agree.

Hon. Members will, I hope, listen to one or two other comments I have to make on the speech of the Chancellor. I asked this pertinent question, and I was sorry that he could not give me an answer: How do the first six months' figures of 1948 compare with those of the first six months of 1947? For it is obvious that if there is a disequilibrium between the first and second six months of the year, these first six months as compared with the whole of the 12 months must be misleading. The Chancellor will agree with that I am sure?

Sir S. Cripps The hon. Member will appreciate that the differences were not really connected with seasonal matters at all; they were connected with quite different problems altogether.

An Hon. Member They might be.

Mr. Osborne May I stick to my point because it is vital. Supposing, for example, that we purchased most of our raw materials in the second half of the year—I am only supposing it would vitiate the whole of the Chancellor's case. Furthermore, at the end of his speech, if I took him down rightly, the Chancellor said that there was a danger of making deductions from short-term changes. That is the danger here. Whilst I congratulate—I am sorry hon. Members went out of the House—the workers on the wonderful achievement that has been reported to us, the danger is that they

may now all run home and say, "Ah, what a wonderful people we are, what a wonderful achievement we have made. It is all right now. We can sit down and take it easy." I am sure that nobody would agree as to the danger of that attitude more than would the Chancellor of the Exchequer. There is still a gap, even on those figures, of £280 million. I am sure that the Chancellor will admit that fact.

Last year we spent £645 million on the four basic foodstuffs, bread, cereals, meat and bacon. It meant that last year we did not earn one mouthful that we ate. Even upon the Chancellor's own figures presented to us today, we are earning only the alternate mouthfuls of those four basic foods. That fact shows that we are still faced with a terrible problem. I would ask the Chancellor to arrange for an answer to some of my questions, when the Economic Secretary replies to the Debate. The Chancellor said that his figures would be subject to certain adjustments. Take, for example, the announcement that was made yesterday about rearmament. The Lord President of the Council said that previously the Armed Forces had been drawing upon war surplus and that we had not been spending a lot of money upon equipment. The Armed Forces therefore were not costing us what they might otherwise have done out of current account. If we are to re-arm at the pace that the danger necessitates, will not that knock all the Chancellor's figures cock-eyed? Surely it will make an enormous difference to them.

There is one other point which I would like the Chancellor to get the Economic Secretary to answer. He knows that we are now running into much greater sales resistance overseas. Next month I hope to go to America and Canada to try to sell textiles. I know my task will be much more difficult this year than it was last year. I believe that the Chancellor will agree that exports, especially to hard currency countries, will be much more difficult to maintain in the last half of this year than they were in the first half. If there is a recession, as they call it in America, and a tendency to slump, we shall almost certainly be shut out of hard currency markets altogether.

Sir S. Cripps I would remind the hon. Member that if those things happen a lot of other things happen, too. The prices of everything that we buy will go down and therefore we shall not need so much currency.

Mr. Osborne I readily agree with the Chancellor. I pay my personal tribute to him for all that has happened, but I am trying to show that we are not completely out of the wood. [HON. MEMBERS: "The Chancellor said so."] I agree that the right hon. and learned Gentleman said so, but I doubt whether more than half the Members who support him and have now gone out of the Chamber quite realise that fact. I am pointing it out because I think that no one else in the country can so effectively make the people realise the country's task and the country's poverty. That is the point I am trying to get across.

There is one other question I want to ask the Chancellor. I think that he said our purchases from America had caused the housewife to go without certain foodstuffs that made all the difference to her. Has she felt the full severity of that reduction of imports? Or have we been drawing on stocks, and if so, to what extent? How severe will it be when those stocks have gone?

Sir S. Cripps I will answer that question. In all these matters one tails off commodities over a period of time. We have so far been able to replace them to a considerable extent with purchases not from the dollar area. It is our constant effort when something disappears to try to put something else in its place. On the whole; I think the Ministry of Food have been rather successful.

Mr. Osborne I appreciate that, but surely, wherever they come from, whether from hard or soft currency countries, they have to be paid for. The deficit is not a small figure and whether we are in debt to a soft or to a hard currency country does not matter greatly. We cannot go on for ever being in debt. I will put a further point to the Chancellor on this issue. Has the reduction of tobacco imports from America been felt completely by the smokers of this country? The amount of tobacco smoked in this country, according to the Statistical Digest, is 18 million lb. per month. Before

the war it averaged 13,500,000 lb. In our present state of poverty that figure does not show any realisation on the part of our people of what we are up against. I would ask the Chancellor to deny that statement.

In passing from the Chancellor's own speech I would say that if there is a condemnation and a damnation of this Government's footling King's Speech it is in what the Chancellor has said this afternoon. The Lord President of the Council said that the only thing we were going to discuss, and the only reason why we had come back here, was the partial reform of the House of Lords. It had nothing at all to do with steel. I say to the Chancellor that surely he has shown that a country faced with the possibility of a war, as we are, and the possibility of starvation, too, has other more urgent things to discuss than partial reform of the House of Lords. The very survey which the Chancellor has given today condemns the Lord President of the Council for bringing us back merely for this footling, little, piffling piece of party political jiggery-pokery.

Mr. Daines (East Ham, North) The hon. Member accepts the fact of the gravity of the economic situation. Has he made any representations to his right hon. Friend the Member for Woodford (Mr. Churchill) to be present in his place to give us his views on the situation?

Mr. Osborne I do not think that question is worthy of notice. It is so footling, and party, and narrow, compared with the gravity of the things with which we are dealing, that I can only say it is typical of some back benchers opposite and that the sooner we get rid of them at the next General Election the better it will be for the country.

I am grateful to the Chancellor of the Exchequer for having waited to hear the questions I wished to put to him. If the House will now permit me, I would like to make one or two points which I have prepared. I think the Chancellor will agree that the real difficulty before this House is to make the people of the country realise the gravity of the position that is still before us and that we are a desperately poor people as compared with our condition before the war. The war cost us a quarter of our national income and national assets. Therefore, we are poorer.

The Chancellor has explained many times that the change in world prices between foodstuffs and manufactured goods has increased our difficulties. Therefore, if we had to work 47 hours per week on the average before the war in order to maintain our standard of comfort, surely we must work something like 54 hours a week in our impoverished state, unless we work much more intensely or we have much greater technological skill and organisation. I am not blaming the Government for the fact that we are infinitely poorer than we were, but in our present circumstances, to demand a 40-hour and a five-day week is insanity. Moreover, for certain sections of the trade unions to demand shorter hours, more pay and lower prices is to make a demand from Bedlam. Until we can get that fact across to all sections of this country to make them realise that we cannot have high wages, shorter hours and lower prices, we shall never close the gap and we shall head for real trouble.

I would again come back to the figures which I have mentioned earlier. They show that there is a terrible danger. Last year, according to the White Paper, we spent £670 million. Today the figure is adjusted to £630 million. As I said earlier, the four basic foodstuffs cost us £645 million. Therefore, last year the people of this country did not earn one scrap of the bread, cereals, meat and bacon that they consumed. Until that realisation is got home to all classes and to all sections of the people we shall never get out of our troubles. In all walks of life people tend to think that the problem is for somebody else. We have to get home a sense of personal responsibility for making an extra effort to get us out of our difficulties.

Rosy as our present position may seem on the Chancellor's review, it is only so because we have Marshall Aid. Suppose Marshal Stalin had the gumption or the wit to make a deal with the Vatican on religion and with the White House on politics, so that the war scare was taken away. I hope he does. Let me tell the Economic Secretary that the Senators and Congressmen of the Middle West would no longer cheerfully vote Marshall Aid. Remember that we have Marshall Aid for only one year at a time. If we did not have it, even the rosy figures which we have had today would

involve us in a drastic reduction in our standard of living. I would ask the Chancellor to deny that. We should have to cut down our foodstuffs, or reduce imports of raw material which would create mass unemployment.

The difficulty is not to convince occupants of the Treasury Bench but the occupants of the Back Benches. At the Labour Party Conference held some months ago at Scarborough, the Lord President of the Council made an extraordinarily fine speech on economic affairs. It was so realistic that I felt that the Chancellor of the Exchequer himself must have written it. It was a first-class speech, one of the best that the Lord President has ever made. Did his own party like it? Did they support it? Did it suit them? Two days later the Socialist Party had an election for their national executive. The Minister of Health got 736,000 votes, the late Chancellor of the Exchequer got 670,000, but the Lord President came a poor fourth with 580,000 votes. [An HON. MEMBER: "So what?"] So what? The lesson is that the Labour Party representatives at Scarborough would rather have the class hatred of the Minister of Health and the economic moonshine of the late Chancellor of the Exchequer than the realism of Cripps through Morrison. I say these figures prove it. Our task, not as separate parties, but as a Parliament responsible to the nation, is to get over the unpleasant economic reality to the people so that they will do that extra for which the Chancellor is still asking.

As I see it, the Socialist Party has three main hopes for overcoming our difficulties. The first is that if they nationalise the basic industries the men who are enthusiastically their political supporters would, because those industries have been nationalised, work harder, better, more cheerfully, and produce more. That was their faith and hope, and I agree it was a legitimate hope. But I say that, so far, especially in the coal mines, that hope has been disproved.

The Economic Secretary to the Treasury (Mr. Douglas Jay) indicated dissent.

Mr. Osborne The Economic Secretary shakes his head, but when we see the export figures for deep-mined coal as great as they were 10 years ago I will believe that the Socialist faith has been justified. Secondly, only a week or two ago, at the Margate Conference, after the Chancellor had appealed to that Conference, the President said to him, "We, the organised workers in the trade unions, will produce more, as you require, if you will do this one thing, if you will put the workers on the boards of the nationalised industries." They are now saying, "Until you do that we cannot do that extra bit which is required." I say that that hope will prove false as well. The miner does not care a two-penny hoot really whether it is Lord Hyndley who is on the board or Mr. Tom Smith, who used to sit in this House. All he is interested in is his wage packet and what it will buy.

The third thing, which I think the most important, is that the Chancellor is hoping to get a lot of results from the co-operation between the British and American industrialists who are about to go in conference. That is also a dangerous illusion. We should be grateful to the American industrialists who are prepared to give their time and to come and investigate our industries and if possible to help us. I believe that the nearer we get to the Americans on every level the better. Our hopes of prosperity and peace depend on working with them. But to think that American industrialists can come over here and teach us to run our businesses and make them more efficient is just moonshine. I warn the Treasury that if they are expecting this overseas payment gap to be closed as a result of the advice they are going to receive from this Anglo-American business committee they are greatly mistaken.

In America in the motor-car industry they produce five times as much per man-hour as we do. In radio they produce six times as much per man-hour, not because our men do not work as hard, but because they have such immense markets, such colossal markets, which enable the real benefits of mass production to be reaped. We can never have that. May I give two examples? We have in this country two motor-car firms controlled from America. There is the Vauxhall firm controlled by General Motors. They get all the advice and all the experience from the parent company. But can Vauxhalls produce a car that will drive, say the Austin out of the British market? Of course not. Take the Ford Company, which is a subsidiary of the Ford Company in America. It has all the advice and help that the American parent company can give. But does the Ford beat the Morris to death? Of course not. Conditions are totally different.

Therefore, if the Treasury is expecting from this conference of business men of Britain and America some new secret that will increase our productivity they will be sadly mistaken.

There is another reason why I think they are going to fail. The one industry that is typically British, that has never been interfered with and has never tried to copy American methods is the ship-building industry. The workers in the British shipyards produce, per man hour, about 30 per cent. more than in America. And Americans have even had people over here trying to study our methods. Therefore, I say it is a dangerous illusion on the part of the Treasury if they think that business men of America are going, somehow, to show us how to get over our troubles, no matter how grateful we are to them for coming and showing their willingness.

From all sides of this House and from all corners of the country the workers of this country have been appealed to and lectured far too much. They have been pie-jawed as if they were not doing their work. The President of the T.U.C. was perfectly right when she made a protest against it and said, "Stop nagging at the people who are doing the work." That is good advice which we can all follow. It is not reasonable to expect the worker who has, as it were, only his weekly wage packet between himself and the workhouse to carry the whole burden. The Government are lacking in not making an appeal to the people at the top, in politics as well as trade and industry, to set an example. What the workers of this country need is an example and not more lecturing.

Why not start with the nationalised industries? Take Lord Hyndley, for example, with his £5,000 a year. If he were to say, "For the next three years I will work for £1,000 a year," he would be in a much stronger position to appeal to the miners. Or Lord Ashfield and the transport workers. But, most of all, Lord Citrine who is lecturing the electrical workers. I suppose he was well paid at £1,500 a year as Secretary of the T.U.C. He now gets £8,500 as chairman of the Electricity Board. Let him set an example to the people and work for the old £1,500 a year. Finally, this Socialistdominated House of Commons that put up its own salary from £600 to £1,000 a year as the first thing it did. Let it set an example and go back to £600 a year and then it can lecture the workers. That is what I feel about it.

On Sunday night I, along with most hon. Members, heard the moving B.B.C. broadcast of the Battle of Britain. It was a magnificent story and those of us who are English were proud to be English. It was a story of courage and sheer ability. But we are still the same people today as we were eight years ago. We have not suddenly become decadent. The guts have not gone out of us. We are still the people that we were, but under this Government we lack the three things we then had. After Dunkirk we faced realities. We stopped the phony war. After this, we should stop the phony peace and face the unpleasant realities of our economic situation. That in the first thing. Secondly, in those days we had national unity. We were all pulling together. We had not His Majesty's Ministers trying to pour poison between the classes and to divide us. We were united. Thirdly, and most important, we had an inspired leader.

Mr. Daines Where is he?

Mr. Osborne On Sunday night to listen to his words again was an inspiration. Apart from the Chancellor of the Exchequer there is no one sitting on the Front Bench who could inspire—well, I will not tell hon. Members what. If this Government could give us those three conditions that enabled us to win the Battle of Britain, and if we had given to us that inspired lead and example, I am sure that the people of this country could easily overcome their difficulties. Industrially I believe that we have up our sleeve 25 to 40 per cent. more which we could pull out to make this country the finest in the world. But it will not be done on class hatred. I appeal to the Government to ask the Minister of Health to stop his class hatred and take a lesson from the Chancellor, and I can assure him that we on this side of the House will do our best to help.

4.56 p.m.

Mr. A. J. Irvine (Liverpool, Edge Hill). The House has just heard a speech of a variegated character covering a number of grounds and with a great many ingredients. The only ingredient which I could detect as not present was the ingredient of conscious humour. But as I am the first to speak from this side after the speech of the Chancellor of the Exchequer, I would convey to him, through the Economic Secretary, the sense of satisfaction and encouragement we feel at the speech which he delivered. It was an extremely heartening and satisfactory speech and it was a speech which, inevitably, gave especial satisfaction and encouragement to hon. Members on this side of the House. We remember that quite recently we knew we were asking a great deal from the people of this country in asking them to delay claims of one kind and another, and to live in conditions of austerity. We wondered whether we would be able as a consequence of these demands to point out any satisfactory results at an early stage. This speech of the Chancellor is the first, but vitally important, instalment of the rewards the people are to get for the sacrifices they have made and for the example they have given at the behest of this Government—because we are confident that they would not have given that example for any other Government.

There was one item in the speech of the hon. Member for Louth (Mr. Osborne) which came as no surprise. It was the reminder, or the attempted reminder, that we owed all this to Marshall Aid, and that we could not have done this on our own account. The attempt was made to suggest that that is the reason less credit should be given to the Government for this encouraging report which the Chancellor has given.

Mr. Osborne That is not true.

Mr. Irvine It was my interpretation of what was admittedly a difficult speech to follow.

Mr. Osborne Then I am sorry for the hon. Member.

Mr. Irvine That proposition is constantly made, and if it was not made on this occasion then it was a more remarkable occasion than I thought while I was listening to the speech of the hon. Member. Although it is true that Marshall Aid is an enormous assistance to our British economy, and although we on this side of the House are the first to acknowledge that, it is also reasonable and proper to remember the vast disadvantages imposed upon this country since the war by certain manifestations of the American capitalist economy. On any fair and objective view of the matter, I submit, that must be acknowledged. Throughout these post-war years, there has always been a danger that the effort of our production, all the effort of our export trade, all the effort of our economy might be bedevilled by one thing—the constant factor of the rising prices of imports. And, just as we are indebted in a multitude of ways to Marshall Aid, so we can reasonably say, on any fair and objective view, that we have been at a disadvantage as a consequence of the tendency towards rising prices which was certainly a manifestation, as we claim, of the capitalist economy of the United States.

It was a classic example of the response of an uncontrolled capitalist economy to a condition of human need and shortage that there should be this great rise in prices which has made the re-establishment of our position so very much more difficult. I would only put it before the House that, when it is said that the achievements of this Government in the economic and industrial field are only made possible by Marshall Aid, it is also true that the operation of the American economy in the post-war years has in many respects made that work very much more difficult.

Just as hon. Members opposite are constantly reminding us of our dependence upon the United States and upon Marshall Aid, the same reminder is given to us from critics on the extreme Left. It is a very significant thing, and it demonstrates that the Government are pursuing the middle way, because, in fact, the hallmark and proof of our political independence of the United States is the fact that we are establishing Socialism in this country. We have no reason to believe that the establishment of a Socialist economy in this country meets with satisfaction from the

governing elements in the United States, and the fact that we are pursuing it is, in my submission, the hallmark of our real independence which, under the present Government, we are preserving and developing.

Having said that, I wish as a Back Bencher only to add an expression of the support which I feel we should give to, and which is so deserved by, the economic policy of the Government as set out by the Chancellor of the Exchequer. We can and do give general support to it; it is sometimes difficult to explain our economic difficulties to our constituents, but we give this support to the Government and we give it unreservedly. In my own mind, the reservations which I have felt inclined to make have been about the penal levels of taxation on beer and tobacco. I am doubtful of the effect of that kind of taxation on the morale of our producers, and I frankly wish, though I say this in his absence, that the Chancellor of the Exchequer had had in his private experience incentives perhaps more akin to the incentives of ordinary men—but, that having been said, none the less he has our total support.

In connection with the economies which it has been found necessary to make in capital investment and capital expenditure, there is one aspect which all hon. Members are under a special obligation to emphasise. Emphasis has been placed upon the desirability, in determining whether there shall be cuts in capital investment, of ensuring that those cuts shall affect as little as possible the development of our production for export purposes, and, in deciding between claims for cuts in capital investment in one field and another, it almost invariably happens that the effect on the export trade is the matter which has to be kept in mind. That is perfectly sound and right. but what I venture to think hon. Members on this side must always bear in mind is that there is another obligation upon the Government in deciding the scale and location of these cuts in capital investment, and that is that they should not be permitted to go beyond the point at which the minimum standard of life of our people is threatened. I say that there should be from this side of the House a greater emphasis upon this aspect of the problem.

I sit for a Division in the City of Liverpool, and in that City there are over 20,000 people unemployed. There is an appalling shortage of houses at present in Liverpool, and it is an undoubted fact that the people who are on the long waiting lists for houses, as well as the people who are unemployed, frankly derive extremely little comfort and satisfaction from the admittedly satisfactory figures of the housing programme and the full employment programme, taking the country as a whole. I will not say more than that it is to be hoped that, in determining where economies in capital investment and capital expenditure shall take place, it will be borne in mind that it is vitally necessary at this stage not to go beyond the point at which the standard of life of our people and their housing and employment conditions will be imperilled.

I feel all the time these matters are being discussed that what we are witnessing in this country today is a real transfer of power from one section of our community to another. The origin and basis of the Labour Party's development as a political power in this country was the conviction that political liberty, the right of free speech, the right to free voting in a secret ballot, brought us only a very short distance towards real freedom. People spoke about freedom of contract, but what was the use of speaking about freedom of contract when everyone knew that, in a great number of contracts entered into in this country, all the wealth, all the influence and all the bargaining power was on the side of one contracting party. Where was the truth and reality of freedom of contract there? They spoke about equality before the law. Even with our incomparable system of law in this country, it was and is an intolerable disadvantage to be a poor litigant.

It was the conviction that there could not be any true freedom in this country under such conditions which caused our movement to require that there must be a transfer of economic power, and it is that transfer which is taking effect under this Government. It is taking effect simultaneously with the battle for the reestablishment of our economic situation and for the filling of the gap, which are the issues upon which we are immediately engaged and which seem to me to be distinct from the issue of the transfer of power during the term of office of this Labour Government.

We have our satisfaction in all this, because the measure of our success is the heightened anger and virulence coming from the Opposition. What we believe is a very substantial transfer of power in this country is now taking place, and it is arousing increasing hostility from the other side of the House as they see their privileges go. The Parliament Bill, which is the reason for this special Session taking place, far from being a partisan manoeuvre, as is suggested, is, of course, an entirely tidy, compact and reasonable item in this programme of the transfer of power. That is what is taking place, and the Government have the united support of all hon. Members on this side in carrying out that transfer of power.

I would like to mention one other aspect of this transfer of power which is now occurring, and which I welcome. In Eastern Europe, this transfer of power has taken place much more violently and by the pursuit of methods with which we disagree, but we must not make the mistake of the leaders of the Conservative Party in the years before the war. In all their utterances they drew a distinction between the Russian revolution and the Nazi and Fascist revolutions. It is on record in the years between 1930 and 1937 that many leaders and spokesmen of the Conservative Party agreed upon what they conceived to be certain advantages and merits in the Nazi and Fascist regimes. So long as these regimes paid attention to their domestic aims and purposes, they had a certain measure of encouragement and approval from the spokesmen of the Conservative Party.

Of course, the Russian revolution never received any such approval. Never a word of praise was ever given to any aspect of the Russian system. The reason for the distinction was perfectly plain. It was that, fundamentally, the revolutions in Nazi Germany and Fascist Italy were counter-revolutions aimed against the over-riding transfer of power from the privileged classes of the community to the masses of the people. I can only express the hope that the Government will bear that distinction in mind. The attitude which this country and this Government should adopt towards Communism is one that it is difficult to define and to express, but it was admirably expressed in a letter written by Dom Aelred Graham from Ampleforth in "The Times" of Tuesday of last week. The great advantage of writing from Ampleforth is that one cannot reasonably be alleged to be a fellow traveller. I, for one, thought that that letter expressed the situation admirably. In conclusion, I wish to say that We on this side of the House are behind the Government—

Mr. Beverley Baxter (Wood Green) Will the hon. Gentleman tell us what was in the letter, because it does not seem to be a very useful contribution to this Debate to describe a letter and not to tell us what was in it?

Mr. Irvine I thought—and I ask to be forgiven if I was mistaken—that it might conceivably be a useful contribution to mention the fact that this letter had appeared, in the hope that hon. Members might be encouraged thereby, if they had not previously read it, to acquaint themselves with its contents. I do not intend to go farther than that. It was an admirably expressed letter, and I have no doubt that if the hon. Member for Wood Green (Mr. Baxter) will now proceed with dignified haste to the Library he will find a copy of "The Times" containing the letter available for him. I do not think I am called upon at this stage to do more than mention that the letter impressed me, and to express the hope that the hon. Member for Wood Green and others will read it.

Mr. Baxter With great respect, does the hon. Gentleman expect us to be heartened or disheartened, encouraged or discouraged by the fact that he was impressed by a letter in "The Times"? If it is of sufficient importance to be mentioned in this House, why not read the letter?

Mr. Irvine I had hoped that the hon. Member would be encouraged to read the letter for himself on hearing that I was impressed by it. I do not propose, on this occasion, either to paraphrase the letter, or to attempt to condense the contents of it.

Mr. Baxter Why not?

Mr. Irvine I am merely taking this opportunity to say that it is a letter which I hope the hon. Member will read. I have not a copy of it with me; if I had, I would read it to the hon. Member.

In conclusion I wish to say that we on this side of the House, believing that the basic event of our time is the transfer of power to which I have referred and that this special Session is a necessary and reasonable item in this process, take the opportunity of expressing once again our united and wholehearted support of the Government.

5.20 p.m.

Sir Peter Macdonald (Isle of Wight) I have no intention of trying to follow the hon. Member for the Edge Hill Division of Liverpool (Mr. Irvine) in his very meandering discourse which covered such a wide field. However, I gathered from his speech that, first of all, he was pleased with the remarks of the Chancellor of the Exchequer. He also seemed very pleased that the Chancellor had told the House that we were still not out of the wood by a very long way and were still living on American charity. He seemed quite pleased with that situation, and, indeed, thanked the Chancellor for it. He also seemed to be very pleased with what he considered to be a fact, that power in this country had been transferred to the Labour Party. He went on to say that the housing conditions in this country, and particularly in Liverpool, where there were both bad housing and unemployment, were not things we could congratulate ourselves upon. I agree with him. Bad housing conditions exist in most parts of the country today, and they are entirely due to the policy of the Labour Party. Even in my constituency, there are hundreds of people waiting for houses but without any hope of, getting them while this Government remain in power because of the policy laid down by the Labour Party. If he wishes to claim any credit for that kind of policy, he is welcome to do so.

I now wish to mention two subjects of which I have given notice and which I consider to be of very great importance at the present time. The first is a subject which I raised in this House some months ago—the question of the International Refugee Organisation. At that time I pointed out the sorry spectacle of about 800,000 to a million people, three years after the cessation of hostilities, being confined in camps in the British and American zones of Germany and Austria with very little hope of their being restored to civil life. I realise the problems involved, and, indeed, pointed them out at the time. Although a commission was set up by the United Nations organisation to deal with this problem, it could not function properly unless a sufficient number of member States joined the organisation. At that time only about 12 out of 52 nations had done so, and not all of the 12 had paid their subscriptions. There was a shortage of hard currency and shipping, and very few Governments had taken any interest in the matter. I urged this Government to take a more active interest, and to try to get something done as, otherwise we were going to have this festering sore on our hands for all time. I am very glad to see that since then one more nation has joined the organisation, and that the Preparatory Commission has now become the recognised agency of the United Nations for dealing with international refugee problems. I noticed that the very admirable executive secretary, Mr. William Tuck, had stated that they were now the recognised body authorised to deal with this vast problem. However, I was surprised to see in the figures he mentioned that, up to June this year, they had only restored 55,000 people to their homes in Eastern Europe and resettled 205,000 people overseas and in Western Europe, and that there were still 800,000 in different camps in Germany and Austria.

I am very surprised that the Under-Secretary, or somebody representing the Foreign Office, is not present because I gave notice of this to the Under-Secretary who promised to be here. I hope that this question is going to be answered because it is of vital importance, and one which is costing this country a lot of money. I would like to know what is our contribution to this International Refugee Organisation, and what value we are getting out of it because, as I have just said, unless action is taken by the Governments concerned, this problem will be on our hands for all time. I also gather from the statement made by the executive secretary that the same problem existed regarding the shortage of shipping, of hard currency and of foodstuffs from soft currency areas. But, surely, there are means of getting round such difficulties. We can get shipping and foodstuffs from soft currency countries. Denmark and other countries have

surplus foodstuffs. We want further information about this problem, and I hope that before the Debate ends this question will be dealt with.

The other subject to which I wish to refer is one which was dealt with yesterday by the Deputy-Leader of the Opposition the question of Western Union. The right hon. Member for Warwick and Leamington (Mr. Eden) stated that although the Prime Minister and Foreign Secretary have repeatedly paid lip service to this question there were very few signs of any action being taken. The Foreign Secretary took exception to that, and, with an air of injured innocence, pointed out the steps which he had actually taken to bring about Western Union. I am very much afraid that despite his protestations, he did not convince us at all. For instance, he pointed out that he was bringing about a military alliance. I agree that a military alliance is of fundamental importance in Western Union, but there are other factors as well, and I am not sure that, so far as many Western European countries are concerned, that is the best approach, even though it is a necessary one and comes into the picture. To put that forward as the main approach for bringing about Western Union is more liable to frighten off some countries than to bring them in. Instead of using his present method of bringing the 16 nations together into Western Union, I think the right hon. Gentleman would have been better advised to have used the O.E.E.C. organisation in which the 16 nations are themselves partners.

Apart from that there is, of course, the economic aspect of this problem. If stipulations had not been laid down in respect of Marshall Aid, nothing, probably, would have been done by this Government. I must remind the Government that economic action depends upon Marshall Aid and that Marshall Aid will only last while that economic cooperation exists. We are also told that the Government have looked upon this question of Western Union as an all-party issue, and one to be dealt with impartially. When the Foreign Secretary was accused yesterday of trying to establish a Western Socialist Europe, he claimed that he had never made a statement to that effect. But what are the facts?

Let us go back, for instance, to The Hague Conference and see why the Government retreated from that very spontaneous gathering of people from all walks of life. It was by no means a political conference; it was a spontaneous conference of politicians, educationists, religious bodies, and women's organisations. Practically every phase of human life was represented there; the delegates were there to try to bring about, or to demonstrate their desire to bring about, the rehabilitation of a sick and warscarred Europe.

What was the Government's response? They told us on more than one occasion that they were in favour of any organisation or body of people which had Western Union as their objective; they were in favour of such organisations taking whatever action they saw fit, and wished to encourage them. What encouragement did The Hague Conference get from the Government? The facts are that some Members of the Labour Party went to the Prime Minister and asked if it would be all right if they attended The Hague Conference. The Prime Minister told them that it was quite all right for them to do so. But when the rumour got around that my right hon. Friend the Member for Woodford (Mr. Churchill) would probably be elected the honorary president of that conference, immediately action was taken not by the Government, but by Transport House. Meetings were called, letters were exchanged and those Members who had been told by the Prime Minister that it would be all right for them to attend this congress were informed that they must not go. In spite of that many of them, to their credit, did go to The Hague and took a useful part in that conference. That is one example of how little Government support Western Union gets when any manifestation of it takes place either in this country or outside unless approved by Transport House.

I will give another example. Following The Hague Conference, another conference was held the other day at Interlaken. That was composed of Members of Parliament from 15 or 16 countries in Western Europe. There was a representative and impressive gathering of very distinguished people representing their various countries. Messages of encouragement were received from the Presidents of the Senates and Prime Ministers of the various Parliaments in those 15 or 16 countries, but there was no message from this Government—excepting one from the Leader of the Opposition which was received with cheers. Quite a number of people there asked me why this Government not only

failed to send a Minister to represent this country but did not even send a message of encouragement, when every other Government has done so, and they wanted to know whether the British Government meant business in connection with this question of Western Union. It was hard for me to answer that question because, frankly, I do not think they do mean business. I believe that unless they see a Socialist Europe set up, some of them are not interested in Western Union at all.

That allegation was made the other day in an article by Mr. Walter Lippman in the "Daily Mail." A lot has transpired which has convinced me that that is a fact. Just before the Interlaken Conference, Labour Members asked if it would be all right for them to attend that conference; they were told it was all right, and the Secretary General of Transport House even went so far as to send a letter to the Socialist Parties in Europe telling them that they could go. Evidently he had heard that my right hon. Friend the Member for Woodford would not be there. However, he made a stipulation that they could only go if they had no truck with an outside body which was not Socialist. I do not call that giving whole-hearted support or nonpartisan support to Western Union.

The result was that I put forward a resolution to the effect that although the European Parliamentary Union representing Members of Parliament could deal with any matter of legislation or anything like that in Parliament, we could not carry out the necessary propaganda work outside Parliament which was required if Western Union was going to be brought home to the people and was going to be a success. That, however, was frowned upon and I was told that it would not be acceptable because it was a condition of this letter that went out from Transport House that Members should have nothing to do with any outside international body which co-ordinated all the other bodies working for Western Union. If that is what the right hon. Gentleman means by full and whole-hearted support of Western Union, he ought to think again.

The Foreign Secretary also said yesterday certain things with which we on this side of the House whole-heartedly agree. He told us what he considered to be his conception of Western Union. He said—and it was the first time I have heard him say it that his conception was a union of Western European countries, the Commonwealth and ourselves, and that such a combination would bring about Western Union and thus preserve peace in the world for all time. That has been my conception of Western Union all along. That also was the conception of my right hon. Friend the Member for Woodford and I believe he stated it in his Fulton speech two or three years ago. We have no quarrel with that. What I would point out is that Great Britain is the European partner in this Commonwealth, and it is for the Government to take action in this matter.

We do not mind consultation with the Dominions, of course, but every time suggestions are made for talks between the Dominion Prime Ministers we are told that there is daily consultation between the Commonwealth countries and that it is not necessary to have a conference of Prime Ministers in order to get agreement. That contact between the Commonwealth countries seems to have seriously broken down. I know a good many overseas and Dominion statesmen with whom I have discussed this subject, and I find that they are far ahead of the British Government in their conception of what European Union should mean. Why have we waited so long? There have been several Prime Ministers over here in recent months. The subject is a burning one, and I should like to know whether it has been discussed with them. Has it been discussed, for instance, with General Smuts, Mr. Chifley and Mr. Fraser? All of them have been over here and have publicly expressed themselves as in favour. Surely we must know what their attitude is on this subject. They have declared it in public and they have told that they are in favour of it. Why should there be all this delay?

Another thing which the Foreign Secretary said yesterday, after trying to poke fun at one of his own party who suggested a constitution for a European Assembly—a constitution which was not even accepted as a basis for discussion at Interlaken—was, "What is the use in trying to put a roof on a building before the building is started?" We do not quarrel with that, but what I quarrel with is the fact that he has not started the building. He has not even laid a

brick, although he has a good many. One of the bricks, with which I am sure he had something to do, was the one which was dropped over The Hague Conference, and another one was dropped over the Interlaken Conference.

I am shocked by the lackadaisical way in which the Government are approaching this subject. Two years have passed without any progress having been made, and they seem to have the impression that time is on our side. I can assure the Government that if they went around Europe and met German statesmen and people living near the Iron Curtain, as I and other of my hon. Friends have done during the last two or three years at conferences and so on, they would find that those people do not think time is on our side. They have said time and again that unless action is taken within the next year there is every prospect of Germany and perhaps the whole of Europe being behind the Iron Curtain. We cannot afford to treat this matter in that way. I hope it will be treated as a matter of extreme urgency, because time is not on the side of the appeasers but on the side of the aggressors. It is only when the appeaser turns aggressor that he ever wins a battle. We ought to have learned that from the lessons of recent history.

I hope the Government will take a more serious view of this question. I hope they will cease believing that it is possible to build up a Western Union on Socialism, because that is a fundamental fallacy. I am convinced that if they try to build a Western Union on the shifting sands of Socialism there will never be a Western Union. Therefore, there will never be a Western Union while we have a Socialist Government. That is a contention which is being made now by people like Mr. Walter Lippman. I hope the Government will treat this matter more urgently and with more decision than they have so far done.

5.43 p.m.

Mr. Paget (Northampton) I am glad to have the opportunity to follow the hon. Member for the Isle of Wight (Sir P. Macdonald) because I agree with him at least in that I share his great dissatisfaction with the Government's attitude regarding Western Union. Before I come to that, may I say that I hope the hon. Member will not allow "Socialism" to be one of the master words which disrupt, quite independently of their meaning. If we are to have a Western Union, we must have some degree of planning and control over the essential things which are to be welded together to make that union. Do not let us call it Socialism or use any other word which excites emotion. Let us think of it as a common whole and try to get on together.

Mr. Godfrey Nicholson (Farnham) I do not wish to score a party point, but has not the hon. and learned Gentleman's own side been responsible for the word "Socialism" being used in that sense by their repeated declarations that they will have nothing to do with Western Union unless it is Socialist?

Mr. Paget I have been saying exactly the same thing to my colleagues as I am saying to the hon. and gallant Member for the Isle of Wight. I think that the sooner we get away from master words which disrupt, and look to the substance of what we are trying to get, we shall get on much better and achieve better results.

The Foreign Secretary said, in his speech yesterday, that we cannot start with a roof and then build a house; we have first to build up co-operation in a number of separate organisations and when we have all the necessary units they will come together and make a union. I hope he is right, but I can think of no single instance in history where that has ever happened. If there is no central point, no focus to which the things which are built up can adhere, they never come together; they continue on parallel lines and there never comes a political union in that way. I do not think there is a single historical example of a political union which has come about through co-operation in a number of fields building up to a unity. It does not work that way.

The way political union comes about is by first having the link, so that there is something for all the departmental things to adhere to. The link has generally been monarchic—a royal marriage has brought together the crowns of two separate countries. When that has happened, the common link has simply been that one man has worn two crowns but

none the less that common link has led the two countries to co-operate in all sorts of ways. The things in which they cooperate adhere to that central monarchy, the two countries gradually become one, and there is general political union. England and Scotland are a perfectly good example of that.

No one suggests that there could be a monarchy of Europe. I believe none the less that we should have that central political authority, even if it has no functions at all to begin with; we should have our constituent assembly and from that assembly elect a European president. I think personally that he should not come from Europe. The names of several men of great prestige occur to me, such as General Smuts or possibly General Eisenhower. Someone like that should be the head of a council which is formed from the constituent assembly of Europe. We have our Postal Agreement; we are developing our Economic Agreements in Paris, and our Staff Agreements in Brussels. By creating a federal body or authority we have something to which all these can adhere, something that they can be responsible to, something to bring them together. We should have the focus which would bring together the various things we are doing, and eventually that central and, at first ceremonial authority would acquire its functions and in that sort of way we would get our union. Unless we start with a focus, I do not think we will ever get to union.

May I say one word about Hyderabad? I do not think that it should be thought in India that their point of view upon this matter is wholly misunderstood. When we handed over India, it is true that we did not hand over Paramountcy, but none the less we handed over the title deed of Paramountcy, which is power. We exercised Paramountcy in India because we had power there, and the exercise of that power in India forced upon us the necessity of Paramountcy control over the States. When we handed over power to the Government of India, we put the Government of India in just the same position as we were in.

We have to consider what would have been our attitude to things which have happened in Hyderabad—the Nizam desiring to have a foreign policy of his own; starting an army himself; flying in arms and negotiating for the purchase of a port. When we were in India we would not have stood for any one of those things for a moment. No responsible Government, which is really going to rule there, can possibly stand for that sort of thing from the Princely States. We created Paramountcy for that very reason; it was quite impossible for us to do without it. I am not going to say a word about India's methods. I think they have allowed too much to develop in Hyderabad and that things have now assumed the significance of a major operation, but I think that we ought to recognise their position.

I want to say something about home policy and nationalisation. I am not going to say anything about the balance of payments. I feel that any attempt to enlarge upon what the Chancellor said on that subject would be almost an impertinence. It was a magnificent speech. I feel, however, that there is great misunderstanding in all parts on this subject of nationalisation. May I say immediately that, in regard to being doctrinaire on this subject and in favour of nationalisation as a principle or ideal or anything of that sort, I repudiate that altogether. I approach nationalisation not as an end but as a means. I think that what we have to do—and I think there is pretty general agreement here—is fully to employ our potential and to get it to produce the right things, the things which we need and the things which are essential for our balance of payments. Now there are not many hon. Members, even on the other side, who would disagree with me on that.

Getting the right things entails a measure of control and direction. It is really essential. Nationalisation is one of the means of control and direction to get the right things produced in the right quantity and to keep our supplies going. But it is only one of the means. Credit, currency, control of raw materials, subsidies, Purchase Tax—all these are other means of achieving that job. Nationalisation is only one means among a number of others.

At the end of the war we were faced with a situation in which there was not only the disruption caused by six years of war in which we were mobilised to a higher degree than any other country in the world, either in the last war or any other war, but also, at that very time we were faced with a crisis which had happened before the war the change in the terms of trade against a manufacturing country, which meant that we had substantially to begin to pay one hour of

factory work for one hour of agricultural work abroad, instead of, as in the old days, getting about 50 hours of agricultural work for one hour of factory work. That was the turnover that had happened. In the days when the terms of trade were to our advantage, we could afford to have our largest industry totally unproductive. In the service of the rich there were gardeners, footmen and grooms, and this formed the largest industry in our country. There were more people doing unproductive jobs than there were agricultural labourers, miners or engineers. That was in the days before the 1914 war.

Lieut.-Colonel Elliot (Scottish Universities) No.

Mr. Paget In 1938, we already had an adverse balance of trade against us. After the last war, not only did we have to deal with the dislocation of the war, but we also had to deal with the crisis which had developed quite independently. That was an incredibly difficult job. We had to get into full production, and we had to tread the tight rope, on the one hand of deflationary unemployment, and on the other hand of inflationary misemployment. We had to get our people fully working, and we had to get the right things produced. I believe that that terribly difficult task has been accomplished with extraordinary skill. It was an exceedingly difficult job.

Equally, of course, when one is treading the tight rope between those two things, one cannot expect to have the whole advantages of either. If we went into deflation and had unemployment, it would mean that the employer could cull his workmen and get rid of all except the best workmen, and it would mean, too, that the workmen who remained, with grave penal unemployment in the background, would work rather harder. On the other hand, there would be fewer of them employed. Again, on the other side of the scale, we have the German situation in which everyone was employed, prior to currency reform—about 70 per cent. of them—on quite frivolous and black market occupations. The problem was to find the path between those two things. In the event we employed pretty well everyone, and got a good deal of the production we wanted. I believe that the optimum was to a quite extraordinary extent achieved. I believe that has been a performance of very great skill.

Nationalisation is only one of the means of getting the direction of production right when we have full employment, one of the means which we have to employ unless we are prepared to have the direction of production controlled by unemployment as before the war. It is a means to be avoided if possible, because it is cumbersome. The very size of nationalisation makes it difficult to handle, and also it is very extravagant of what one might call super-manpower. One requires such very exceptionally able men to run it, and unfortunately business has not in recent years thrown up really exceptionally able men who can be used for that purpose. We are short of those really exceptionally able men whom we require. I would say that nationalisation needs avoiding when we can but I think we can say that nationalisation is necessary where it is desirable to produce at a loss.

That statement may be thought to be rather odd by some hon. Members opposite; but there are occasions when it is desirable to produce at a loss. That is what private enterprise cannot do. The condition of production for private enterprise is that it shall be profitable, and when it ceases to be profitable, private enterprise has to stop producing. That is the nature of the organisation. If we are to carry on our full production, then we have to guarantee the supplies of our basic materials, we have to make production independent of profitability. There are things which must go on—food, fuel, steel, which is the basis of our exports, and transport. These are the things that have to remain in supply regardless of the extent of profitability or non-profitability.

I would go further and say that if we are to maintain the system of full employment, these things should be produced at a loss; that is to say, they should be available to industry at below cost of production. The food subsidies are making our labour available at below cost. Nationalisation should make the other items so available. Keeping the basic costs down allows a high margin of profit upon the ultimate products, such as motorcars, which are exported. Where there is a high margin of profit at the top there is a cushion which will absorb movements in world prices—not entirely but to a considerable extent. Profits will fall, but not to the point where production is stopped. The State, which like the

farmer has lost its seed in the unprofitable process of sowing, gets its profit back from the sale of the ultimate product—the motorcar or whatever it is—in its share of the profits which it takes by taxation.

My hon. Friends are not wise in criticising high profits, because to a very large extent high profits are the State's profits. When the seed has been sown and the crop reaped comes the point at which the profit is taken. We do not take an intermediate profit in the middle of the productive chain. We take a profit on the final product. If profits are taken on the raw materials on their way the final product may never be produced at all. Slump and unemployment starts that way. In a good year when there are high prices and profits the Chancellor obtains a large Budget surplus through his share in those profits which he collects by taxation. In a lean year, when prices are low the margin of profit falls, taxes fall with it, and the Budget shows a deficit. By that means, by the movement from Budget surplus to Budget deficit, we should succeed to a very considerable extent—of course, these are all factors which must be regarded in relation to other factors—in levelling up slump and boom and maintaining full production and full employment on a fairly steady basis. The condition is low basic material prices, and a wide margin of profit on the final product.

When nationalisation is criticised, people should bear in mind that it certainly is not the function of a nationalised industry itself to make a profit; its function is merely to contribute to a whole economic system which will ultimately make a profit, and it depends on arrangements at various stages as to what loss or profit should be taken on the steel or coal, or whatever it may be. The nationalised industry is a public service forming part of the whole system of the nation's production.

6.3 p.m.

Mr. Godfrey Nicholson (Farnham) Perhaps the most amazing aspect of yesterday's and today's Debates has been the way in which hardly a single subject raised by the Opposition has been answered or refuted by Government speakers. Let me run over some of the subjects that have been raised. There was the great issue of Hyderabad and the menace of war on the sub-continent of India, with which I will deal later. Very grave charges of inefficiency, incompetence and procrastination were brought against the Government on the score of Malaya, yet not a single answer or refutation has been made on that charge, in spite of the fact that the Secretary of State for the Colonies was present during most of the speeches, knew what had been said, and should, if he could, have made some answer.

Then there was what the hon. Member for Ipswich (Mr. Stokes) called "minor villainies." Minor they may be, but they cast a slur on our national reputation. He referred to the treatment of the German generals, the threat of starving to death the war criminals now in Spandau gaol, and to Yugoslavs handed over at a moment's notice to Tito's Government. Today, in a most admirable speech, my right hon. Friend the Member for Saffron Waldon (Mr. R. A. Butler) referred to the need for Government economy in expenditure and for coping with the rise in prices.

Not one of those subjects has been referred to—or hardly referred to—in the three chief speeches made from the Government Benches. Perhaps it is kinder not to dwell on the speech of the Foreign Secretary. No doubt he felt that his strength would be necessary later and was saving his powder and shot for the great Debate next week, so I will leave his speech at that. The Chancellor of the Duchy of Lancaster made one of the thinnest speeches to which this House has ever listened, and in my opinion one of the most insulting. The House was insulted by the manner and method of his address to us last night; I cannot condemn it too strongly. At one moment it sank to a level of vulgarity of which I should not have thought him capable.

Today we have heard a great speech from the Chancellor of the Exchequer. I suppose he is tired of tributes. He gave a brilliant exposition of one aspect of our economic position; but, as he has been doing throughout the country lately, he completely failed to touch upon the other side of the medal, namely the need for a sound internal economy, a stable level of prices, and stability in the purchasing power of the £. I just cannot understand his mentality: so brilliant, incisive and crystal clear on what he chooses to deal with, but so obscure and side-tracking on subjects to which he

does not think the attention of the public should be drawn. I can compliment him, however, on one thing, and that is the adroitness of his timing of the publication of the White Paper. It was indeed fortunate for him, though unfortunate for us, that it did not come out a few days sooner. The hour of its birth happened to occur when he rose to his feet in the House of Commons. I congratulate him on that. I do not want to deal with all those subjects to which I have referred, except to say that the Government are very much mistaken if they think these are matters which can be ignored at one of these great inquests on national affairs.

I wish to say a little about Hyderabad, and to recall to the House what is actually happening in a part of the British Commonwealth of Nations. His Majesty's Forces—because the Forces of the Dominion of India are His Majesty's Forces—are engaged in actual war. At this moment men—and for all I know women and children—are being shot down in large numbers, the country devastated, and communal feeling inflamed throughout the whole subcontinent, and it is indeed possible, perhaps even probable, that war will break out between two of His Majesty's Dominions. I should have thought that was a grave enough state of affairs to merit some passing word, if nothing else, from the Chancellor of the Exchequer who, as my right hon. Friend said, probably has more influence in India than any other European. He turned a deaf ear to it; he has forgotten about India; he no longer cares; he has done his work there and now passes by on the other side. I hope he is proud of it.

I should have thought it would have called for some mention by the Chancellor of the Duchy of Lancaster, but he made no reference to it whatever, except to deplore the tone of one of the speeches from this side of the House. I should have thought, too, that it would call for serious consideration from the Foreign Secretary, but not a bit of it. He, in common with the Government speaker in another place, contented himself with relying solely on the good offices of the United Nations' organisation. Incidentally, we do not even know whether the United Nations will consent to hear the Hyderabad case. As far as I can make out, the Government deny any responsibility; they proclaim themselves completely disinterested in what is happening in India and Hyderabad. This is a serious charge to bring against them, and I still hope that they may answer and refute it.

I believe that we in this country underrate our influence in India. There are times when the Government must speak for the nation, and I believe that one of those times has arrived. It is the Government's duty to send a strong message to the people and Government of the Dominion of India, and whatever happens at the United Nations I still hope that they may send that message. The message I hope we shall send from this country is that we do not judge the merits of the case; we do not say that Hyderabad is right and India is wrong, or that India is right and Hyderabad is wrong. In passing, I would say that it would be very unwise so to do, because I do not believe all the right to be on one side and all the wrong on the other. Perhaps the case for Hyderabad has been chiefly emphasised during this Debate, but in fairness to the Dominion of India it should be remembered that she has a case, too. Let us just remember that, and let us not take sides in this grave issue.

Mr. Rankin (Glasgow, Tradeston) Who has been taking sides so far?

Mr. Nicholson I am not taking sides.

Mr. Rankin I thank the hon. Member for his statement, because last night from that side of the House an ex parte statement was made taking sides with Hyderabad. I am glad the hon. Member repudiates that.

Mr. Nicholson I am making my own speech and nobody else's. We must send out a message that all of us on all sides of the House, and in all sections of this country, unhesitatingly condemn the methods which the Dominion of India has adopted in order to settle this dispute. On the merits I remain completely neutral, and shall do so until I know all the facts, if I ever do. But the methods adopted I unhesitatingly and unequivocally condemn, and in saying that I believe that I am voicing the opinion of the whole country.

But side by side with that condemnation let us point out something which is equally true, namely, that we are genuinely and sincerely grieved to have to condemn in this manner. I do not believe that the people of India—and I now speak of the whole sub-continent, of both Dominions—realise the depth of the affection and good will felt towards them when they achieved independence. It was a mixture of, perhaps, pride in our record, and a sense of fellow feeling. We were proud, too, of the way in which the struggle for Indian independence had been conducted on their side, and of the way in which we had endeavoured to do what we considered to be our duty. I do not suppose that two Dominions, or two nations, ever achieved independence with so little ill-feeling both towards and on the part of those from whom they secured that independence. We were particularly proud because we felt that we recognised in India some of our own national characteristics, of which we are not ashamed. We saw in the Indian peoples a sense of kindness; we saw a sense of fair play in political controversy; we saw a sense of decency which we recognised nowhere else outside our own Commonwealth.

Mr. Paget In view of what the hon. Member has said—and, as he knows, I respect his views on this subject—would he say it is right to condemn India's methods at this moment? Do we know enough? Do we know that they had any alternative method available? I was rather hoping the hon. Member would leave condemnation until we knew the facts.

Mr. Nicholson I do not think I can. In the state of the world today I do not see how any peace-loving person can do anything but condemn a resort to arms. I believe the hon. and learned Member to be a peace lover. We on this side of the House are peace lovers just as hon. Members opposite are, and I unequivocally condemn any steps likely to lead to bloodshed. When I think of the blood-bath that may take place in the sub-continent of India, of the millions, perhaps tens of millions, of people whose blood may be shed in the coming months as a result of the method adopted by the Dominion of India, I must condemn it. If the hon. and learned Gentleman can find it in his heart to forgive resort to war in this particular case, I can only say that I do not envy him his sense of reasoning.

Mr. Paget I put it no higher than this, that the blood-bath which the hon. Gentleman visualises might, in certain circumstances, be avoided only by a quick and vigorous armed solution. I do not know enough to condemn the Indian action.

Mr. Nicholson I condemn it. It is no good my hedging. The hon. and learned Gentleman is no doubt perfectly sincere, but it is a curious mentality which leads him to say these things. I do not believe in war as a method of settling international problems, and especially problems within a people. If we have not the courage to say that the use of His Majesty's Forces in such circumstances is wrong, I think we ought to be ashamed of ourselves. I do not know whether my words will get as far as India. I hope they will, because I have borne my humble part in the cause of India's freedom.

I repeat: whether there are rights and wrongs on both sides, resort to war in such circumstance fills me with horror and with the greatest grief, and I have for it the most profound condemnation. I do not see how any Englishman can possibly take up any other standpoint, and I am sorry that the hon. and learned Gentleman should find his mind ready to make excuses for such things. I have only a superficial knowledge of India, but I know that it is a powder magazine, that there are hundreds of thousands of villages there in which Moslems and Hindus are living side by side, and that, if passions are aroused, that can only lead to massacre and counter-massacre, atrocity and counter-atrocity. Such passions, when aroused, can cause untold misery. Human nature can be beastly when these sort of passions are aroused.

We know what happened last year. I do not know if the hon. and learned Member for Northampton (Mr. Paget) read the accounts of the atrocities which were committed. I do not know if he would like me to recount them; I do not think his nerves would stand it. At any rate, I do not want such things to happen again, and they will unless great moral influence is exerted on the people in India. The greatest moral influence should, and must, come from this country. As

I see it, the proper spokesmen are the right hon. Gentlemen on the Government Front Bench, but they remain silent while hon. Members on the Benches behind them seek to make excuses. I am shocked, horrified and indignant. I have said enough to show what I am thinking. We have thought, and still think, of India with affection. We think of her as being full of kindly people, with the same instincts as ourselves, with the same domestic sources of happiness and the same love of humanity, if it is not obscured by the smoke and flames of communal passion.

My mind goes back to that remarkable man whom India considers as her patron saint. I mean Mr. Gandhi. My mind goes back to his death, which was a martyrdom if there ever was a martyrdom in the cause of communal understanding. I wonder what Gandhi would say if he could rise from his ashes today and see what is being done by his friends and followers, if he saw what I fear will happen—atrocities on both sides, with millions of people done most foully to death? I believe that India needs waking up to the deed being done in her name. I saw in a newspaper the other day some noble words which were said in India in February of this year: “We realise that Gandhi's dominating passion was truth. That truth led him to proclaim without ceasing that good things can never be obtained by evil methods, that the end itself is distorted if the method pursued is bad.” Mr. Nehru may recognise those words. They were his own.

6.21 p.m.

Mr. Asterley Jones (Hitchin) I trust the hon. Member for Farnham (Mr. Nicholson) will forgive me if I do not follow him into the grave and serious matters which he has been discussing. Instead, I would like to direct the attention of the House to the effect of what is known as the “earnings rule” on payment of pensions in this country. This is a matter which has occupied the attention of the House from time to time in the past and, briefly, the position is this: when a pensioner receives a pension from Government funds, using that term in its widest sense, he may find that if he engages in remunerative employment after he retires, or becomes entitled to his pension, the pension may be reduced or may even be abolished altogether.

The biggest category of these persons are widows and old age pensioners. A widow who is receiving a pension of 26s. a week, plus any supplements, is allowed to earn 30s. over and above that without suffering any deduction, but once she earns more than 30s. a week her pension is reduced shilling for shilling. The result is that once the widow gets past earning 30s. a week there is no financial benefit to her at all for a considerable time in working for more than 30s. I have had several cases brought to my attention where I believe this sort of thing acts as a severe brake on production. There is the case of a widow with one child at school. She is entitled to a pension of 33s. 6d. a week. She wants to look after her home and child, but finds herself with four or five free hours in the middle of the day—not enough to do a whole-time job—available for work. She has taken a job at a school canteen, but she finds that on being paid the usual rate of about 2s. an hour for her work all above 30s. is dead loss to her. It is not financially more profitable to her to earn more than 30s. than it is to earn 30s. That sort of thing causes the greatest discouragement to persons who can do part-time jobs.

In another case a widow, also with one child, earns £3 a week. Again, only part of that is of benefit to her. I refer now to the case of an older widow, whom I have known for many years. She has a small amount of savings, which bring in an annual income of about £25. In addition, she has a small pension from private sources of about £60 per annum, and as her husband was insured she has a State pension of 26s. per week. As she says, she is not decrepit. She can do a job, but what she does not understand is why, if she earns more than 30s. a week, she should have her pension, to which her husband contributed and she indirectly contributed, reduced shilling for shilling when she is helping the country. The same principle applies to the old age pensioner. There was a letter in the Press a day or two ago pointing out that a man, when he reaches 65, is not in a position to go on working full time, and that if he works part-time and earns more than 20s. a week, his pension is by that amount diminished. The effect of this rule is to say to these pensioners,

"Although you have contributed partially for many years. if you are in a position to earn, and do earn, you will get none of, or only part of, the benefit of your contributions."

That sort of thing is wrong, quite apart from the serious economic argument in respect of which we may not be fully equipped with all the facts. It may well be that many pensioners are retired on their own and their wives' pensions, and say it is not enough. But there is no incentive to carry on working, say, three days a week, as many can do although they cannot do a full week's work.

It is not only pensioners under the National Insurance Fund who are affected in this way. Civil Service pensioners are also affected, and this dates from the Superannuation Act, 1834. The rule for Civil Service pensioners is this: if, and only if, they are re-employed by the Government their earnings, plus their pension, must not exceed the salary which they were drawing when they retired from their normal occupation with the Government. In this matter I may possibly have a remote interest, because one or two of my relations are involved, although I do not expect to get any financial benefit supposing the law were altered. Nevertheless, I must point out that it is causing a considerable amount of disgruntlement, which has been the case for many years. It may be argued that a Civil Service pension is paid as a matter of grace by the State to its servants who are too old to work, and that the State should not, therefore, be called upon to pay twice—that is, the person should not receive a salary and pension which will bring his total earnings to more than he was receiving before he retired. That may be the strict legal position, but it is not a practical position.

It is always argued when one is discussing Civil Service rates of pay and conditions that the pension must be taken into account. I have a letter, written on 21st August, from the Postmaster-General, in which he points out that postmen receive the privileges applicable to established civil servants, which includes a pension on a non-contributory basis. Clearly, the wages of Post Office workers would be higher than they are if there were no pension for them at the end of their service. Therefore, we can say that in practice they are saving up for their pensions during their working lives with what has been described as unpaid wages. It is most unfair that at the end of their scheduled time they should find themselves debarred from drawing their pensions if they carry on working for the Post Office in some capacity.

The absurdity of the situation becomes clear when we consider a civil servant who after retirement does not go into employment in the Civil Service but into some private business undertaking, because no question at all arises then as to the docking of his pension. A very similar situation arises in the case of school teachers. At the present time we are short of teachers, and I believe many teachers who reach retirement age are still capable of doing some work and of helping us out in the next few years. The situation is not quite the same for them, because if a teacher is employed purely in a temporary capacity for not more than a year the pension is not affected, but if the employment is on a longer basis then the education authority may very well re-assess the pension. Thus the teacher will be working for a return which he or she will be able to get by not working. That again seems to me to be a definite incentive not to engage in further employment.

Teachers are normally employed by a local authority, but the Government will have their pound of flesh, because they also contribute to the teacher's pension, and it is laid down in the Teachers' Superannuation Act that if a teacher takes on another job after retirement which is not teaching but is in the service of the Government, then the Civil Service rule normally applies. Conversely, should the teacher go off and start teaching in a private school completely divorced from the public service then he or she draws the pension and the pay of the new job.

Policemen are in a different anomalous position. If a policeman retires and then takes on a new situation as a private detective in a department store he draws his police pension and also the salary of his new employment. If, on the other hand, in the present state of the strength of the police force he decides it would be a good thing to carry on in the police force then he will find that his pension may very well be suspended in whole or in part at the discretion of the police authorities if he carries on service in a police force of any kind. The height of absurdity is reached when we come to the position in the Colonial police force. Supposing a man decides at the outset of his career to be a police

officer and he joins a police force in this country. At the end of his service he finds himself in the position which I have already described. If he goes into the Colonial police force he will find that Colonial police officers are, in fact, Government servants.

I have here a case where a retired police officer has written to me from Malaya. He tells me he was engaged as a police officer and after serving his time he retired and started drawing his pension. He was offered the post of assistant coroner and found very much to his surprise that if he accepted that post in the Colonial Government he would have his police pension reduced. Very understandably and properly he decided not to do it. In other words, these three categories, teachers, policemen and civil servants, are penalised if they offer to carry on doing the same job—that for which they are most fitted—for a few years longer than the retirement age. However, if they decide to go outside their previous sphere and do a job for which they have no great aptitude they can continue to draw their pension and in addition the salary in their new post.

I contend that all these matters are anomalous and that in the present state of the country they are, in fact, as I say, a direct inducement in many cases not to work. They are a relic of the days when it was to the interests of the country to encourage old people not to work because they were taking away jobs from the young. Now, however, when we have to find every pair of hands that we can, surely that is an out-of-date conception. Everything should be done to make it financially attractive to persons who are in receipt of pensions to do some work as well. The effect cannot be inflationary, because in return for their new salary or wages as the case may be they will be producing goods or services.

It is true that I have had some correspondence with my right hon. and learned Friend the Chancellor of the Exchequer on this subject, and he has stated that it would involve a rather heavier burden on the Exchequer. That may be a good argument from the point of view of economics but not a good argument from the point of view of justice. I do not believe that the extra burden would be very high.

That brings me to my last point and that is that on this matter we have indeed very little information. I know there are very great objections to making inquiries about this sort of thing, but I personally would not have the slightest objection to a little market research—even if it might be labelled "snooping" in some quarters—on the subject of whether the abolition or relaxation of the earnings rule would lead more people who have retired through old age to engage in productive industry. I hope in the next few weeks my right hon. and learned Friend the Chancellor of the Exchequer, in consultation with the other Ministers concerned will look at this matter and consider it afresh in the changed circumstances since these ideas were formulated in the distant past.

6.38 p.m.

Mr. Beechman (St. Ives) I came up from the far West to attend a special Session, and I understood, if I understood anything at all about it, that we were to hear something about the Parliament Bill. As it happens, we have heard about a number of matters but hardly about the Parliament Bill. The hon. Member for Hitchin (Mr. Asterley Jones) has spoken very rightly about the claims of police pensioners and others, while other hon. Members have raised other interesting points.

When I arrived here I found the weather in London was remarkably fine, and I thought that, after all, I had come up to find the summer. We have had a little sunshine today from the Chancellor of the Exchequer in a very lucid speech, but he would be the last person who would wish me to say that the sunshine was without cloud. One of the features of his exposition was not only that it was lucid but that it would interest the public, because one of the discoveries that I have made is that, quite irrespective of party, the public are really interested in political facts if they are given with integrity. That is a most helpful sign, and I have never in my political experience, which is a fairly long one, known the public to take such a keen interest in politics as at present.

The account which the Chancellor was able to give was, if I might use the phrase, one of qualified sunshine. I congratulate him, but again I am sure he would be the first to wish the congratulations to be directed to the workers of this country who are producing the results. The best form of sunshine is that which comes from within. Before I came up here I really did not know what I was going to find. I did not know whether we had a Prime Minister or not. We hope very much indeed to see him back soon, because we are all extremely fond of him. I did not know whether I would find peace or not. We are not quite sure of it at this moment. I am not reflecting on anyone in making that observation, but it is a fact and we must not, after all, neglect our duty to the people of this country. I feel sure that all of us irrespective of party—and here I am speaking for my hon. Friends on this bench—will support the Government in making sure that our defences are strong at this moment of crisis. It is indeed a great tragedy that after so recent a war we should have to build up our armaments again, but the fact that we must do so is absolutely inescapable. We have not only to build up our armaments but we have got to have a war machine, a General Staff and a staff, whether under Lord Montgomery or someone else, which will co-ordinate the forces of the West. I am not saying for one moment that that is all we have got to do in the West, but that is one thing.

We have also got to look at Africa. A great deal had been rightly said about the prospect of a war in India. These matters have been referred to by people who know a great deal more about India than I do, but having divested ourselves of responsibility in India we must look to the continent of Africa, not only for the purposes of military defence, but for other things, because we must remember that we are concerned, too, in supplying goods to the great masses of the people. Sometimes people talk in dismal terms as if trade had come to an end. If there is a stranglehold put upon trade, it will come to an end, but as regards trading possibilities I believe we have only scratched the surface of what can be done. I hope the time has now come when we can divest our minds of the ancient wrangles between those who believe in old fashioned tariffs on the one hand and those who, on the other, talk about free trade; we must talk of trade in terms of supplying goods to the great masses of the people of the world who so badly need them.

That leads me to endorse what the Foreign Secretary said about freedom of movement, a subject on which I should like to say a great deal. One of the essential elements in freedom is freedom of movement. It relates to trade and ideas, though it is not necessary that one should be always gallivanting—if I may use that word—abroad. But the idea that one is cooped up in a particular spot is inimical to freedom. It is rightful not only that the people of the West should visit us, but that even the people of Russia should be able to come here and learn something about our methods of life, because up to now I feel they have been able to learn very little.

I would certainly like to congratulate the Government on what has been done so far in the export trade, but I would like to warn them that, in dealing with heavy work, the people who work must be looked after. There is, undoubtedly, a shortage of fats for those who do heavy work. There is a terrible anxiety, never ceasing, for the women who look after the homes of the people who work. I hope the "new look" is not to be "a lean and hungry look" because if it is, we shall not be able to achieve the exports which we need.

I certainly agreed with what I understood was said by the hon. Member for Hitchin about the burdens upon old-age pensioners; I agree with that very much and I think the time has come—indeed it has more than come—when the Chancellor must face the fact that taxation is too heavy. It is not just a question of taxing a few landlords or millionaires. It is a fact that the burden of taxation falls too heavily upon all the people of this country. The difficulty is not so much one of coupons. There is difficulty enough about queueing, but the real difficulty is that the ordinary person has not enough money in his or her pocket to buy the things which are in the shops.

I have talked about the export trade. For my part I believe it is of paramount importance at the moment, but I remember the late Mr. Asquith saying to me, when I was quite young, that I was to remember that the home trade was the most important section of our trade. If that be so—and I cannot accept it as being a true statement of our present

position, but if it be anything like true—the situation now is that the ordinary people, because of the burden of taxation, direct and indirect, have not the money to buy the things which are, in fact, becoming available in the shops.

I do not wish to take up too much time, but I must point out that consideration must be given to the question of the cost of living. One has to remember that the cost of living is very largely based upon the cost of coal and, in fact, upon the cost of a number of other similar items—I am reminded of railways and of the cost of transport. The hon. and learned Member for Northampton (Mr. Paget) said some things had to be produced at a loss. I am sure that coal is being produced at a loss. At any rate, it is very expensive. One has to remember that this loss comes out of the pockets of the ordinary people, which means that the industry is sustained by their work. That cost has to be borne. The price of coal very largely determines the cost of living of the ordinary people of this country.

Before I leave this side of my speech, I would like to say a word about tobacco. I see in this White Paper which we have been kindly handed today that, in fact, our imports of tobacco last year were £30 million. I cannot escape from observing that not only can we grow tobacco in this country but we can cure it and smoke it. I owe my ability to say that to the former Chancellor of the Exchequer, the present Chancellor of the Duchy of Lancaster, who, about two years ago, said it was impossible to grow tobacco in this country. I do not know from where he got that idea. Some of his ideas seem a little uncertain for, as a matter of fact, it is quite possible to grow tobacco in this country; it is grown in Belgium, grown around Stockholm and it is grown in my garden—the Treasury have been down to see it. I have three and a half square yards of tobacco and the Rank Film Combine have very kindly inquired whether they might take a film of the harvesting of my tobacco. Although a gentleman on the wireless—I think this must have been put into his mind by the Treasury—stated that even if we grew tobacco, even if we cured tobacco, we still could not smoke it, that was very inaccurate. I would like the representatives of the Treasury to know that not only have I grown it and cured it but I have smoked it, and, as will be seen, I am still alive at this moment.

I will conclude my observations on tobacco by saying that the proposition that we cannot grow it in this country is purely a superstition put into our minds by the Treasury when it was discovered, I think in the Seventeenth Century, that we could enrich ourselves by putting a tax on tobacco imported from Virginia—after which soldiers were sent to trample down the tobacco being grown in this country. Let us remove superstitions from our mind—all of them; this is one of them and, as I have indicated, frontiers is another. At any rate, the superstition about tobacco is a very clear one.

I would like to say a word about the Trade Union Conference. What filled me with sorrow was that more was not made in the Press of the importance of the Trade Union Conference, because I think we have all to realise that the trade unions have a very important part to play, do play an important part, and have played an important part in the past, and all of us, quite irrespective of party, have to remember what that part should be and along what lines it should develop. As a Liberal—I am a Liberal although there is no Liberal Party; that cannot be helped, I am not complaining about it in any way—but as a Liberal I do not forget and shall never forget that the trade unionists have fought and struggled for freedom. I hope they will never forget it.

I hope they will remember, too, the difference between a delegate and a representative. We in this House are representatives of the people; that is one of the distinctions that one has to make between the Russian system and our own. Like other hon. Members I have had dealings with distinguished emissaries from Russia and I have always found, in the end, that they were delegates. They could not take matters beyond a certain point. In this House we all, no doubt, wish to do our best for our constituents, but we are sent here to make up our own minds and, even if we are in a minority of only one in our own Division, it is our duty to make up our own minds. That, after all, is the glory of our existence and the reason for it. I hope that will always be remembered and that this House will not become a tied House or, indeed, a tied cottage, as it would become if we turned ourselves into delegates instead of remaining representatives of the people, as we are meant to be.

I am glad to see that the Lord President of the Council has applied his mind to the question of nationalisation. What are we to do about it? We heard a speech about nationalisation just now. We are sent here to say to a Minister, if need be, "Why are you doing such and such a thing about a matter which is within your province?" One of the chief custodians of liberty in this country is the fact that a Member of Parliament has the right and the duty to say to the Minister, a few yards away, if need be, "Why are you doing this thing about the work with which you are connected?" We must now face the fact that as we are nationalising industries so we are taking away from the representatives of the people that right, which is an absolutely vital element in preserving liberty in this country.

Like my speech, I hope nationalisation will not go too far. I myself, when I was president of the Liberals at Oxford after the first war, first promulgated the idea of considering every case of nationalisation on its merits and I am still likely to take that view, but if one goes into the waters of nationalisation too far then everything becomes controlled by the State and Socialists will have led us into Communism after all. On these Benches we believe in social justice; we do not believe in Socialism or Communism.

In conclusion, I would say only this. Having arrived here together at this great crisis in the history of the world, all of us have one clear duty and that is to keep Great Britain great. When I say that, I am not talking in material terms at all. I have talked about the unhappy necessity for armaments. I regret that that is a fact. What is far more important is unity in belief in Christian and Western values. What is far more important, in my opinion, is that we should draw together. But greatness entails giving. When you are great you have something to give. What is it that Great Britain has to give now that we have become a debtor nation for the first time? I believe we have more to give to the world than we have ever had in our history. We have more to give because the world needs it terribly and because unless we give it civilisation will be lost. What is it that Great Britain has to give? Poise—the quality of keeping one's nerve when there is anxiety abroad. Quality—by that I mean having a reputation and deserving to have a reputation. We can apply that not only to our way of life but to the things that we sell abroad. Freedom, toleration—things that have been fought for in the past and which can be lost so easily. Finally, we have to give to the world, and have given to the world, justice, and in politics the greatest of all is justice.

7.2 p.m.

Mr. Ronald Chamberlain (Norwood) I cannot but agree with many of the sentiments of the hon. and learned Member for St. Ives (Mr. Beechman), particularly in his very eloquent peroration. In his speech he travelled very widely over armaments, food, Margate and certain other matters. I cannot travel all the way round with him, but I begin exactly where he began in congratulating the Chancellor of the Exchequer on his speech—not only the manner of it but also the matter of it. The hon. and learned Member for St. Ives referred to it as some rays of sunshine which we were sorely needing in a cloudy sky. I agree that it was a very welcome break-through.

I would add my own sincere congratulations to the Chancellor perhaps the more particularly because it is not always that I find it in me to congratulate him or approve what he does, but today's balance of payments statement is very hopeful. At the same time none of us should be led into any easy optimism, and I am quite sure the Chancellor would be the first to agree and underline that. There is still a tremendous deficit on the overall balance of payments, a very great deficit on the balance of payments in respect of the Western Hemisphere, and a tremendous drain on our dollar and gold resources. Indeed, he himself told us that the ugly gap of which we have heard so much in the last 12 months is at the moment only just filled, if filled at all, by the Marshall Aid which we are receiving, and that Marshall Aid is only very temporary and may be more temporary than we have hoped. For all those reasons I do not think that we or the country should be filled with an easy optimism; indeed, it would react very badly on the effort and work before us. Nevertheless, as the Chancellor said, it is an upward movement, and I re-echo what he said in that it means a very fine effort on the part of all the workers and managements concerned.

I wish the Chancellor had also developed another side of our internal situation—he said nothing about the present very serious inflationary tendencies in the country. It is certainly not easy to be optimistic about our present internal situation, and these inflationary tendencies. It is certain to react very acutely on the external situation and on the balance of payments. The Chancellor should have said something—the Economic Secretary may perhaps do so—about our general situation and should have alluded to the continued upward climb of wholesale and retail prices. This is a very serious feature and is bound to darken a little the brighter picture which has been painted this afternoon.

This upward climb of prices means a very serious diminution of the real value of money and of the wages of the workers. It is regrettable, but this is bound to react unfavourably on their attitude, and if it is not checked, it will certainly have serious repercussions, and it will mean more unrest than there is at present—and quite naturally there is some at the moment. In addition, the inflationary tendency will have an increasing effect on the sale of our goods abroad. That is an aspect which ties up at once with all we heard this afternoon. Already exporters are finding increasing difficulty in placing their goods abroad because of this tendency to excessive prices, and that is a very dangerous aspect of the present inflationary tendency.

In connection with the Statement on Personal Incomes, Costs and Prices early this year, the Chancellor of the Exchequer made a double appeal. In one respect he was successful and in the other he was entirely unsuccessful. He appealed to the workers in industry for restraint in the matter of wage claims and appealed for still harder work and, in many cases, longer hours. He had a magnificent response from the workers. At the same time he appealed to the industrialists, through the Federation of British Industries and other organisations, for restraint in regard to profits. He appealed to them for a definite reduction of prices and profits. By contrast with the magnificent success which the Chancellor had in his appeal to the workers, he met with dismal failure in his appeal to the Federation of British Industries.

The answer he immediately got was an entirely evasive one—all that the Federation was prepared to do was not to increase the level of distributed profits and dividends. That was not what was asked for. What was asked for was a plan for the reduction of prices and profits, but the Federation of British Industries merely said that there would be no increases of dividends. One does not need to know much about finance to realise that that means nothing at all. Capital can be, and far too often has been, manipulated so that without any increase in declared dividends, there has been a tremendous increase in distributed profits. That is as simple as A, B, C, and furthermore, the level of distributed profits was already sky high. The present Chancellor of the Exchequer, the previous Chancellor of the Exchequer, the Prime Minister and other Members of the Government, have testified to that. In any case, although it has not attracted much attention, the real outcome of the appeal of the Chancellor of the Exchequer to industry was given by himself in his Press Conference of 14th July, when he said: “Profits declared this year have been considerably higher than 12 months previously.” If ever there was a clear admission of the failure to reach that part of his objective, it is clearly given by him there. If ever there was a definite refusal on the part of industry to do anything about profits and prices, here it is. We all know that prices have mounted, and there the Chancellor candidly admitted that profits had gone up.

However, that is not the whole of the story, because connected with profits, is a process which has been going on, which seems to attract very little attention, but which is pernicious in the extreme. In the little leisure I have had in the Summer months, I have been able to turn my attention to it and have discovered a good deal about the way in which it is working. I refer to the reconstruction of companies; the purchase of one company by a private company which then converts itself into a public company, with the chairman and other, directors and those intimately concerned reaping a golden harvest. And all this is entirely tax free. As far as I know, the Treasury and the Chancellor are not raising a finger to stop this pernicious process.

I have a large number of cases, with which I will not weary the House, but I mention this in case anyone should say that the single case I am about to describe is exceptional. Fortunately the Stock Exchange requires all these particulars

to be published in "The Times" or "Financial Times" and, by a close scrutiny, over a period, anyone who takes the trouble to read the lines of tiny print can see what is going on. The details of the case I am about to describe can be found on the back page of "The Financial Times" for last Monday. It is about a concern called Hackbridge Cable Holdings Limited. This concern supplies electric cable to a number of commercial undertakings and also—I ask the House to note this particularly—to the Post Office and to the British Electricity Authority. In 1939 the profits of this company were £16,000. In 1948, multiplied by 16, they had gone up to £253,000. That is nothing uncommon if one studies these things.

The new company acquires the £100,000 capital of the old company and issues capital to the value of £900,000, instead of the former £100,000, and this is accentuated still more because of the market values of these new shares. Half is in 5 per cent. cumulative preference shares of £1, and half in ordinary shares of 5s. each. The House should note particularly that the chairman of the original company had 90,000 £1 shares in the original company. Allotted to him now are shares to the nominal value of £730,000. Of these, all of his £1 shares are sold to an issuing company at 22s. each, about one-third of his holding of 5s. shares he sells at 13s. 8d. per share, and he gets in cash, within seven days, the sum of £765,061 tax free. There are other directors who get rather lesser amounts. In addition, he still holds 918,000 5s. shares, and we are told that the company is likely to pay 20 per cent. on them; in fact, its profits are such that it would be able to pay 39 per cent., but anyway at 20 per cent. he will receive £45,200 a year in dividends.

That is not the end of the story either. He is managing director, and his salary as such is £4,500 per annum. I call attention to the fact that over this manipulation, and because of his position in the company, he gets £765,000 tax free, he will still get £45,200 a year from the 20 per cent. which they propose to pay on the shares he still holds, and also his salary as managing director of £4,500 a year. That is not all. To the public 582,000 5s. shares are offered at 15s. 6d. each, and there are other nice pickings which go elsewhere—the issuing house is getting £13,825 and the underwriters £14,700 out of all this.

I could quote other examples in connection with clothes, colliery equipment, books, radio equipment, fountain pens, and a host of other necessities, but the one I have detailed concerns electrical cables supplied by a company holding contracts with the Post Office and the British Electricity Authority. It is easy to imagine the British Electricity Authority sitting around their board table, having to enter into contracts for large amounts of this electrical cable, looking at the prices, and saying, "Prices seem to be going up. This seems very heavy, but we suppose it cannot be helped. We suppose the workers are demanding—

Mr. Shurmer (Birmingham, Sparkbrook). More wages.

Mr. Chamberlain—and so we must pay these enormous amounts." When we talk about nationalised industries not paying, all kinds of reasons are adduced, but here is one which should at least be checked. As I have said, I could tell the same story 30 times over about other necessities including colliery equipment, and the Coal Board will wonder why it is they have to pay so much for equipment, and again—

Mr. Shurmer The Opposition will say that we are charging too much for coal.

Mr. Chamberlain Certainly, and I think the attention of the House and of the country, certainly of the Chancellor of the Exchequer, should be called to the tremendous ramp that is going on. [HON. MEMBERS: "Hear, hear."] Many of us who have been working as Socialists for 25 years, and many more, are rather disappointed that, when we have a Socialist Government in power, all these things are allowed to go on; that the tiny holes and cracks of inflation are carefully plugged with pennies put on beer and a little more on cigarettes to stop people buying more, while this huge ramp is going on all through industry.

Mr. Shurmer And the workers have to suffer for it.

Mr. Chamberlain And the workers are usually blamed for the rise in prices. I want to tell the Chancellor that, if he does not tackle this thing, for all the good news he gave this afternoon, inflation will rise and engulf him. At least the warning will not have been absent of what is happening right under his nose.

7.20 p.m.

Mr. Boyd-Carpenter (Kingston-upon-Thames) The only connecting link that I can see between the speech to which we have just listened and the speech of the Chancellor of the Exchequer is that both of them sedulously refrained from referring to the only subject for the purpose of discussing which His Majesty's Government have seen fit to advise His Majesty to call Parliament together. I do not propose to follow the hon. Member for Norwood (Mr. Chamberlain) into his intricate researches into the personal affairs of the chairman of a certain company, save to say that the hon. Member did not seem to appreciate the reflection which he was casting upon the heads of the Government Departments and of the nationalised industries concerned when he was telling the House of Commons that not once but 30 times these Departments and nationalised industries were being exploited by manipulations by individuals, although those manipulations were so ill-concealed that they could be ascertained during the Summer Recess by a single Member of Parliament.

Mr. Chamberlain I do not want the hon. Member to misquote me. I said most particularly that, as a Socialist, I greatly regretted that the Government have not done anything about the matter. I did cast reflections, because this is something that ought not to be allowed to continue.

Mr. Boyd-Carpenter I fully apprehended the hon. Member's argument. It is that in one particular case of the Postmaster-General and in another the chairman of the National Coal Board and his fellow officers pay so little attention to their duties that they allow themselves to be hoodwinked by private companies whose doings are so ill-concealed that an hon. Member with no connection with the matter can find them out during the Summer Recess.

Mr. Gallacher (Fife, West) ; They have the wrong men on the Coal Board.

Mr. Boyd-Carpenter I hesitate to agree with the hon. Member for West Fife (Mr. Gallacher) but I do agree that they have the wrong men on the Coal Board. I have said so in this House many times. I am very grateful to the hon. Member for Norwood for reflecting, so damningly on the competence of the Ministers of the Crown and of the highly paid officials of public corporations whom they have appointed. No criticism so violent and so intemperate has yet been delivered—although it may be delivered in the future—from this side of the House.

I do not want to refer at any length to the speech made by the hon. and learned Member for Northampton (Mr. Paget)—I regret that he is not in his place at the moment—save that I must challenge one proposition which he put forward on the subject of Hyderabad. The hon. and learned Member said that while he was compelled to concede that Paramountcy had not been handed over by His Majesty's Government to the Government of the Dominion of India, yet—these were his words—"the title deeds of Paramountcy, that is, power, had been handed over." That is a clear indication that, from the point of view of one hon. and learned Member opposite, power confers the right to interfere by armed force in the affairs of a smaller and weaker neighbour. That was precisely the doctrine of Herr Hitler and Signor Mussolini. It was the doctrine that because you are powerful and have great physical resources you are entitled to prevent your neighbour having a foreign policy of his own. Because the Dominion of India is powerful, having been left the magnificent machine of the Indian Army as a heritage from British rule, it is regarded as entitled to deny freedom to a State of 17 million people whose territory it happens to surround.

It is useless for anybody to hope for peace, order and decency in the world while those doctrines can be promulgated, I am sure sincerely, on the Floor of the House of Commons. Surely it is precisely against that doctrine that all of us have been fighting for the last 30 years, the doctrine that power gives the right to interfere by force. I hope that we

shall have from His Majesty's Government, who have shown every disposition so far to avoid committing themselves even to an opinion in the matter, before this Debate terminates at least an emphatic repudiation of the doctrine put forward by the hon. and learned Member for Northampton that power is the title deeds of Paramountcy and that power gives the right to deny freedom to a smaller and weaker State, the right to move troops in, and the right to crush opposition by force and impose your will, because you happen to possess the stronger army.

So long as those doctrines are promulgated in this House it is hopeless to expect from all the impressive apparatus of the United Nations and from all the associations of Western Europe, that we shall get recognition of the rights of the weak and of the small. If that recognition is not given shortly the result will be to bring the whole of our world down into the ruin of atomic warfare.

Mr. Gallacher Is not the hon. Member aware that it was a Conservative who made the declaration, cheered by Conservatives, "We won India by the sword, and by the sword we will hold it"?

Mr. Boyd-Carpenter It is one of the remarkable illustrations of the mentality of the hon. Member for West Fife that he believes that what has once been said by a Conservative, referring to a distant period, must be true to the end of time. I am not so strong a party man as is the hon. Member. I believe that the doctrine he has mentioned, which was sound in its time, is passing and that its passing should be accelerated by people of good will.

The Chancellor of the Exchequer gave a superb exhibition of his matchless power of exposition. I feel also that, with the defects as well as the qualities of a great advocate, he inevitably gave to that exposition of undoubted fact a twist which results in the picture not being quite in focus. To my mind he gave an excessively favourable impression, even though he did nothing but cite ascertained and ascertainable facts.

In the first place his references to the success in which we all rejoice of the British exporting industries, passed without a single reference to the fact that those exporting industries are almost exclusively conducted on those principles of private enterprise which it is the declared intention of His Majesty's Government to limit and to reduce. There was no reference whatever to the part played directly or indirectly in that success by the most successful of all industrial private enterprises, the steel industry. There was no reference to the sinister rise in British prices, to which I was glad to hear the hon. Member for Norwood refer. There was no reference to the fact that in certain markets of the world British goods are already difficult to sell, because of their prices, or to the fact that the basic fuel necessities of industrial production, whether in the form of coal, electricity or gas, are being raised in price. There was no reference to the rising cost of living with all its inevitable repercussions on the cost of industrial production.

There seems to be an assumption that because exports have grown, and grown magnificently, in recent months that that process can be counted upon to continue. I do not believe that it can continue while our prices creep steadily upwards. I believe that our prices must creep steadily upwards while the whole internal inflationary policy of the present Government continues on the present lines; and while the cost of production of every article exported is growing and will increase, because the State monopolies in fuel and power are increasing their prices to those industries and thereby adding one item to the cost of production of every article exported abroad.

No reference was made to the fact that there must inevitably be an economic repercussion from the military steps to which the Lord President of the Council referred on Tuesday. The mere holding back of a number of men and women, a necessary and indeed a belated step, means, none the less, increased manpower difficulties for British industry. So equally inevitably must the application of more manpower and effort to war production have the same effect. The emphasis to which he referred on the production of fighter aircraft must have some effect. We had no reference whatever to that in the speech, nor did we have any reference whatever to the possibility of this increasing policy of nationalisation affecting this matter.

However, we did have one curious remark. We had the remark that the surplus in our trade relations with the sterling area was particularly satisfactory, because it reflects the pattern of our pre-war trade. It certainly does. It reflects the pattern of our private enterprise, virtually non-Government controlled pre-war trade. Does this apparent nostalgia in the right hon. and learned Gentleman's speech indicate that he is at last realising that it was upon this foundation of free enterprise that our prosperity and our industrial hegemony was built? If it does, then that remark, otherwise inexplicable, in the right hon. and learned Gentleman's speech, is an indication of great importance. If it indicates that he is beginning to realise that we shall not recover either the pattern of our pre-war trade or our pre-war standard of living without a complete reversal of the internal financial policy of the present Government, it is a point of great significance.

Mr. Collins (Taunton) Would it not be a simple solution of the Chancellor's remark to suggest that in returning to the pattern of pre-war trade we were doing the logical thing and trading with those people with whom we were best fitted to trade?

Mr. Boyd-Carpenter In the sense that the pattern of pre-war trade followed the line of common sense I wholly agree with the hon. Member, but what he must realise is that this pre-war pattern of trade was fashioned under free enterprise. The prewar pattern of trade was fashioned in the pursuit of private profit and not in accordance with directions and permits from the Overseas Department of the Board of Trade. It did seem curious that the right hon. and learned Gentleman should indicate, at long last, a certain sympathy with this pattern.

The extraordinary thing about this Debate is that while many enormously important subjects—subjects of the greatest gravity to our nation—have been raised, we were not summoned back here for the purpose of discussing them. The fantastic fact is that at a time of grave and growing internal and international crisis we have been summoned back, in the words of the Gracious Speech to discuss only a Bill for the reform of the House of Lords. It does seem to me that that fact, greeted with apparent enthusiasm from below the gangway on the Government side, is an extraordinary indication of the flippancy and levity of the Government; that they should feel that while all these grave matters, to which many hon. Members opposite themselves have referred, were at issue, the matter of all matters, the matter on which the attention of the nation was to be focused by the summoning of a special Parliamentary Session, was the reforming of the House of Lords. That really is a most extraordinary thing, and it does seem to ignore the gravity of the situation which yesterday, for all his prolix incoherencies, the Foreign Secretary did seem dimly to appreciate. It certainly seems to ignore the gravity of our internal situation, so graphically referred to last week by the Minister of Supply when he said that if we had been forced to rely on our own unaided efforts we should now be experiencing widespread hunger and unemployment far worse than we knew in the years between the wars.

It seems curious that when such a situation faces our country that, in the words of the Gracious Speech, no other business will be laid before Parliament. What justification can there be for that? I take it that it is not seriously suggested that this proposal which the Government are laying before us is going to cure any of our ills? It is not seriously suggested that Section 2 of the Parliament Act of 1911 is the cause of Russian intransigence? It is not seriously suggested that when the great men of the Kremlin observe that we have amended the Act of 1911 they will wholly change their attitude? Presumably it is not suggested that this is the remedy for any of the important ills or any of the ills about which hon. Members have spoken with feeling, passion and intensity today? The only institution that seems determined to concentrate upon this flippant irrelevancy is the Government. Hon. and right hon. Members in every quarter of the House, and behind the Government, have concentrated their attention upon things that matter.

But have hon. Members appreciated the effect which this extraordinary concentration upon a prefabricated political dog fight will have abroad? Do hon. Members think that those 12 or 14 men who control the destinies of Russia from the Kremlin are going to be easily persuaded of our determination at all costs not to be turned out of Berlin when they observe that the British Parliament has been recalled, not to deal with that subject, but to reform the House of Lords?

Do hon. Members opposite think that American Senators and Congressmen, who will be sitting next spring and deciding whether our efforts to bring about our own recovery deserve further contributions, will be greatly impressed with the fact that we have decided to concentrate all our attention and activity upon the reform of the House of Lords? The right hon. and learned Gentleman the Chancellor of the Exchequer, when he spoke at Margate said: "Let us throw all our energies and brains into this attack upon productivity so that we may the more speedily accomplish the honour and dignity of our economic independence and the higher standards which the workers certainly deserve but which, alas, as yet we cannot afford." "Let us throw all our energies and brains," says the Chancellor. Yet the Government decide that it is more expedient to throw the energies and brains of the House of Commons into the question of reforming the House of Lords. Is it not possible, even now, for the Government to relent upon this matter? Is it not possible for them to realise, as everybody outside realises, that we in this country are faced with the greatest emergency in history and that what is needed is concentration upon essential measures to unite and strengthen the nation? Measures are not required to diminish the power of the House of Lords. Measures are required to increase the power of England. If we are to have a legislative programme it should be a programme dealing with such matters as National Service and Civil Defence and those grave matters which, if not handled and handled promptly will bring down the country and our way of life and everything in which we believe irretrievably.

Mr. Shurmer (Birmingham, Sparkbrook) Do not frighten the children going to bed.

Mr. Boyd-Carpenter If the hon. Member is not prepared either to take the evidence of his own eyes or the facts of the European situation, let him take the warnings of his own Foreign Secretary. It really is disturbing that there should be any hon. Member of the House of Commons who regards a reference to the dangers which surround our country at this moment as a matter for laughter. It is terrifying in its irresponsibility, and it is an indication of the mentality which has been brought about in the party opposite by the very actions of right hon. Gentlemen opposite. It is right hon. Gentlemen opposite who, in command of all the sources of information open to a Government, have seen fit to disregard those sources of information and to concentrate the attention of this House on the reform of the House of Lords. It is upon them that much responsibility for the failure of their followers to appreciate the gravity of the situation must rest.

I hope that right hon. Gentlemen opposite will realise that this is not a time deliberately to aggravate political disputes, and to cause disunity in our nation. They must know that in matters affecting our national security there is no quarrel from the Opposition. They know, on the contrary, that we have urged attention to this great subject upon the Government, and I do beg of them not deliberately to distract attention and weaken unity by pursuing a matter which must inevitably raise great political controversy and which has no more to do with the solution of our immediate problems than the flowers which bloom in the spring. I hope they will realise that even now. But if they do not, then it should go on record to the country and the world that all the impressive apparatus of a Parliamentary Session, all the pageantry attaching to the process of legislation introduced originally through the august person of the Sovereign—all this has been employed, not to rally and co-ordinate the efforts of a united nation, but merely to pursue the squalid political purpose of a divided and contemptible Administration.

7.42 p.m.

Mr. Pargiter (Spelthorne) I do not wish to follow the hon. Gentleman who has just spoken except to say that opportunities have been presented to this House for discussing other matters than the reform of the House of Lords. That is certainly not included in this programme. I rather wish it were, because we might then pursue it more wholeheartedly than the very limited proposals which will be placed before us.

I want to return to the speech of the Chancellor of the Exchequer. No one can say that the Chancellor, in dealing with the affairs of the country, has been indulging in easy optimism, because I believe he has endeavoured to bring home at

all times to the people of this country the seriousness of our economic position generally. Therefore, if, on a survey of the whole position, he feels a slight degree of optimism, we may be sure that there will be good grounds for it.

There are, however, some aspects of his speech on which many of us are somewhat uneasy. The problems referred to by the Chancellor still resolve themselves into the main question of the relationship between wages, prices and profits. While I fully appreciate the statement which the Chancellor made to the Trades Union Congress upon the relationship of profits to wages, it still remains true that there is a good deal of uneasy feeling among the workers that at least some portion of their efforts is being given to a lot of people, or perhaps a limited number of people, who have done nothing for it, and, as long as that condition prevails, there will remain either demands for increased wages, or, at least, demands for some sort of control of the rate of profit that is now being made.

I appreciate the difficulties of tackling the problem of profits which are declared in dividends bearing very little relation to the capital involved in producing the goods, and it is not easy to find ways and means by which profits can be truly related to productive capacity, but, unless someone tackles this problem at some time, it is not much good asking the workers to continue their efforts in a progressive rate of increase in production. I believe that invested capital should receive a return on the value of that investment, but I do not believe that the extra efforts of workers, either workers, technicians, or administrators, should increase the return on their capital to the lenders of that capital if they have done nothing at all except lend the same amount. In other words, I want to see for all sections of the community some sort of payments by results, and if the owners of capital are to receive an increased return they ought to do something more for it than just sit back and wait for greater production from the workers or technicians or from greater technical efficiency.

I think it should also be realised when we are talking about increased production—and I think the efforts made towards increased production in this country are worth talking about—we ought to distinguish as to who is entitled to the credit for that achievement. Certainly, in my view, not the owners of capital, who have done nothing towards increasing production. It is the technicians, the administrators and the workers themselves who have been responsible for the increased production and it is to them that the credit should go. If there is any additional payment to be made to anybody, it is to those people that it should go.

Yet, what happens? If the history of profits is traced over a long period of years, it will be found that, whenever there has been an increase of taxation on any form of profits, the owners of capital have been concerned to make an additional profit in order to cover the levy thus made upon them, and in nearly all cases, even at the present time, with the new Profits Tax and any taxation including Income Tax deductible at source, it will be found that the result is always to leave the capitalist with the same net return as he had previously. So the policy of taxing profits is not necessarily a good one, because all that happens is that the price of goods is increased. It is true that the Government collect a good deal of it back in taxation, but that does not help the person buying the goods because the cost is already inflated by that amount.

I hope the Economic Secretary will say, in reply to this Debate, that there is a possibility of finding a new approach to this question of profits, so that capital should receive a fair return but only to the extent that capital is employed, and that the policy of trying to reduce profits by increasing the taxation on them will be abandoned, because it certainly does not have that effect.

These are the sort of problems which arise from what the Chancellor said, but we must still see that, even with all that has been done, looking at industry as a whole, there is still a great need for a much greater measure of co-ordination in industry if we are to continue the headway which we are making in exports at the present time. It is not sufficient for the existing quantity of goods to be produced for export in the belief that they will buy an increasing volume of raw materials. It is true that we need a very considerable overhaul of our technical machinery in manufacturing industry in order that we might maintain a permanent and increasing rate of production.

On top of that, it is highly important that greater thought should be given to the question of selling our goods abroad. In that matter, it appears to me that little has been done to explore the possibilities of all markets at the present time. Not very much is being done, either by the Government or even by private enterprise, to create new markets. Unless these things are done it is obvious that without some considerable increase in our invisible income we shall still be in great economic difficulties for a long time to come.

I hope that the Government may be able to give the House some particulars of a method really to control profits so that those people engaged in industry—workers, technicians and administrators—may feel that the results of their efforts are not being dissipated to the tune of 10 or even 5 per cent. more than they should be.

7.52 p.m.

Mr. Baldwin (Leominster). The hon. Member for Spelthorne (Mr. Pargiter) said that the more machinery was put into industry the greater would be the output. That is in direct contradiction to what Sir Charles Reid said. He stated that in spite of machinery being poured into the mines, production had suffered.

I wish to refer to the very important and wise announcement made by the Lord President of the Council on Tuesday, that the defence of this country is to be accelerated. I quite agree that the time has come when the slowing down of demobilisation and the acceleration of the production of armaments are necessary. But I wish I had heard the right hon. Gentleman also mention another defence which needs looking after—the production of agriculture at home. During two world wars in the last 30 years, this country has been nearly brought to its knees by starvation. However, in spite of the fact that we have had that lesson, there seems to be no attempt to increase home production to the extent that is possible.

We may feel that because we and the United States of America can maintain command of the seas with our surface craft there is no danger; but we have no knowledge of what the attack might be from under-surface craft. Therefore, I hope the Government, when going into this question of defence, will see that the increase of home agriculture comes into the picture as well. Not only is this important from a defence point of view; it is also the only solution, in my opinion, of the economic problems of this country.

The Chancellor of the Exchequer gave a very heartening picture in many respects this afternoon. At the same time, he would be an optimist who could feel that the export trade of this country can be accelerated to the extent of closing the gap between our purchases and our sales at any time. We have to look to increased agricultural production to do that. I should like to refer to the balance of payments statement and call the attention of the House to Table III under the heading "Food and Feedingstuffs" in order to show what an enormous increase in cost is entailed for this country. Based on the half year just ended, our food and feedingstuffs are going to cost us £854 million this year. That is a rise of £300 million in two years. We are still rather inclined to think that we are living in the Nineteenth Century, and to think that the world was created to provide this country with cheap food in return for our exports. We must face the fact that that is not so. We are refusing to recognise that whereas in 1913 we were a creditor nation to the extent of £4,000 million, today we are a debtor nation to the sum of £2,000 million.

There is another point of which we should take note. It is that by increasing our home agriculture we are increasing the vigour and vitality of the people of this island. We have been through an industrial era for something like 100 years; we have herded our people together in large cities and towns, and our countryside has become depopulated. It is time we went back to the period when we filled our countryside with virile men and women earning their living in the fresh air. It is also of great importance to see that this country is provided with fresh food instead of tinned and frozen food. The health of the country could be enormously improved if that were done.

This country is rather being led to believe that Africa is going to take the place of the United States of America in the Twentieth Century and that the Colonial Development Corporation is going to develop Central Africa and provide us with an abundance of food. That is hopeful thinking. In my opinion, there is no possibility of there being any surplus food available from Africa. The population of Africa, particularly that of East Africa, has doubled in the last 25 years. I suppose that is due to exploitation by British Imperialism, but we have to face the fact that if the African is to survive, he must be taught to work, and before he can work he must be properly fed. That being so, all the food produced in Africa will be needed by the Africans themselves.

Another matter which we are not facing is that the world population is increasing by 20 million annually, and that the population of this country has increased by three million in the last 12 years. During that same period the area of agricultural land has decreased by 800,000 acres, and is still being decreased by the Services, and so forth. We are living dangerously, and it is about time we recognised this problem. It may be said that we cannot increase our production, but I wish to call the attention of the House to the fact that there are in the United Kingdom 16 million acres classified as rough grazing, that is, 16 million acres out of a total acreage of something like 48 million. It would take a lot to make me believe that those 16 million acres cannot be improved to a tremendous extent.

Another source of waste in this country is commonland. There are thousands of acres of commonland in Great Britain which are doing nothing at all. During the Recess, I had the opportunity of visiting two pieces of commonland in my own county in company with three members of the executive committee. On the top of one common there were 700 acres of land growing a grand crop of fern. They have now ploughed 250 acres of that land and propose to plough the rest. A short distance away, I visited another piece of commonland which has been under cultivation by the county committee for four or five years. That land is fully productive, including a crop of wheat estimated at one ton to the acre. Such land must not be allowed to revert to the state in which most of our commons now are. The commoners must realise that, as well as rights, they have responsibilities. If those commons were put right and the commoners were made to cultivate them just as any farmer is made to cultivate his land, it would be of benefit not only to the country but to the commoners as well.

What is the position in this country? Today we are buying food from Holland. To boost up our export figures, I suppose, we are exporting to Holland coal and steel in order to bring back agricultural produce which we can grow here. We have purchased £28 million worth, including hothouse grapes, melons and so on, and we are sending coal and steel in return. Today in Great Britain one can find more waste land in a drive of 10 miles than one can find in the whole of Holland. I want to see those 16 million acres tackled not only from an agricultural point of view but from a forestry point of view. None of that land should be idle. It should either be farmed or should be growing trees. There is very little of it on which one or the other cannot be done. Marginal land should be farmed in conjunction with forestry. Marginal land farming for which a farmer could not keep a regular staff of labour, would work very well indeed in combination with forestry, so that the labour could be switched from forestry to farming according to the season.

I do not suggest that the improvement of this land should be in the direction of cereal food. It should be used for the production of better grass, for with better grass we can get just those things which we want in this country. Better grass used as silage or dried grass will provide us with butter, cheese and milk, and if there is one thing more than another that this country wants it is freshly made butter and cheese. We want a little less pineapple and peaches and a little more butter and cheese.

I want to refer to a point which affects farmers very seriously, and that is the fact that the Minister of Food will not go out into the world and buy feedingstuffs. He is making contracts all over the world to bring back to this country the manufactured article. If the Minister of Food has a motto, it must be "Every country but mine own." I suggest that the buying of coarse grains should be taken out of the hands of the Ministry of Food and given to the Ministry of Agriculture. If we could buy coarse grains the conversion value would save us currency to the extent of 50 per cent.

Farmers should be allowed to consume their own wheat and barley. At present we are given the privilege of consuming 20 per cent. of it, but if the farmer does not want to consume that 20 per cent. he cannot sell it to anybody else to convert into bacon and eggs. It is unfair that we should be compelled to sell our raw material and let other countries go on with the manufacture of things which we can manufacture. There should be more co-operation between the Departments of the Government. Each Department is playing for its own end. The President of the Board of Trade is out to boost the export figures. It does not matter what he exports or imports, he wants to get his exports as big as possible. The Minister of Food is out to buy all the food he can in the world. He makes bargains and contracts with other countries without consulting the Minister of Agriculture, and the poor old Minister of Agriculture is expected to increase the output from our farms when his colleagues are trying to do something else. He is batting on a sticky wicket against a couple of googly bowlers. If there are £150 million available for the Overseas Food Corporation to develop Africa, with which I thoroughly agree, there should be something left to develop the land of this country which at present is doing nothing at all.

8.5 p.m.

Mr. Collins (Taunton). I agree with the main proposition of the hon. Member for Leominster (Mr. Baldwin) that an increase in food production in this country is not only vitally necessary, but would be one of the major factors in closing the import export gap. However, much else that he said I feel is not in accordance with the facts, and there would appear to be a defect in his source of information.

He mentioned that we are spending £150 million in East Africa, and suggested that possibly that money was not available for agriculture here. Here are a few items. We are spending £40 million on farm machinery in this country this year, £15 million on farm repairs, a very much larger sum on farm cottages, and £35 million of water schemes for the countryside are being investigated and many of them authorised. Those are only one or two items. It is nonsense to suggest that the case is otherwise. At no time in this century has more attention been given to the development of our land, has more money been spent on it and has the improvement of our land in all sorts of ways been pursued with greater vigour than today, and at no time in the lifetime of the hon. Member for Leominster have the farmers and farm workers of this country enjoyed such prosperity and such prospects as they do today.

The hon. Member referred to 16 million acres of rough grazing. Of course, it must be improved and reseeded, but I must remind him that it was a considerably larger acreage before the war, when there were far greater opportunities and greater resources to deal with it. Those things are self-evident. It is perfectly obvious that if we are going to produce another £100 million worth of food per annum by 1951, which is the programme of the Government, that will make a vital and major contribution, and it must be a permanent contribution. The policy which we put forward allows not only for the expansion of production by another £100 million, but considerably further expansion for as far as one can see into the future.

But that is not the only thing that we have to do in order to close the export import gap, put this country on its feet, and we hope, as the Chancellor said, raise the standard of living of our people. We have also to develop our industries. Speeches from the back benches in this Debate should not be, as so many have been from the benches opposite, an emulation of that character on the wireless whose motto is, "It's being so cheerful as keeps me going." They should be contributions of a practical nature—suggestions which will increase our productivity.

The speech of the Chancellor was, in my view, the most important speech that has been made in this whole Parliament and, in many ways, the most reassuring. It had a firm basis of undeniable fact, and for the first time the discerning eye could see that there really was something to hope for. A very great deal has been achieved by the people of this country. Few people seem to realise that were it not for the adverse terms of trade compared with the pre-war period, we should now actually have a surplus. We should now actually be in a position not merely to pay our way, but to raise the whole standard of living of our people to a substantial degree.

That fact, measured against the enormity of the task confronting the country three years ago, indicates the achievement of the people of this country led by a Labour Government. We should not forget that our visible trade deficit even at present prices is no more in money than it was before the war, and only about one-third in volume. That again is a measure of what has been done. A great deal of criticism has come from the benches opposite on the lines that it is wrong to put forward these points and to say that our people have done well, because if we say they have done well they will not go on working. That has never been my experience in industry. Give people encouragement. I never knew a football team manager who, at half-time, when his side was a goal up, saying to the team, "You are a lot of stiffes." We must encourage people, and, at the same time, tell them what the task is ahead of them. The right hon. Member for Saffron Walden (Mr. R. A. Butler), who opened this Debate, made one remark with which I fully agree. He said that there must be encouragement for individual initiative. I entirely agree, and that should be extended to the whole of the working population. I want to see conditions created in which all workers, right down to the workshop level, have an opportunity for showing initiative and for developing or, at least, giving expression to any ideas that they may have.

This week, I had a letter in "The Times" in which I expressed the view that one of the most important incentives today was to give the workers a real say in industry which, in my view, can only be done by means of works councils to which the workers and the management elect their representatives, and where they are really given an opportunity of developing and expressing their ideas. The hon. and learned Member for Exeter (Mr. Maude) in a letter to "The Times" today, stated that my view that this one thing would to a large extent get us over our troubles was fantastic. I say that from my experience the increase in production which comes when workers are given a real say in industry is fantastic. I could quote many examples of increases in a short period of time of from 20 to 50 per cent. when people are given a real say in industry.

Sir Henry Tizard said this week that with a 20 per cent. over-all increase in production over pre-war, our difficulties would be at an end. Therefore, I urge my right hon. Friend and the Government as a whole to do the utmost that they can to secure the co-operation of the F.B.I. and of the trade unions in order to get them to set up voluntarily—it is no good if it is done by compulsion—every possible means of joint consultation, right down from trade union to workshop level. Only this morning, in the Press, I read that a prominent trade unionist, a former Member of this House, said that joint consultation must not only be on matters of welfare. Of course it must not. That is almost useless so far as production is concerned. The men have to be made to feel that their ideas count. Once that can be got over to them, and it can only be got over to them by round-table discussions on ideas, then we shall get the production which we need. I say again, that this one factor, if it is energetically pursued on both sides by employers and trade unions, will do what we want.

There is one other matter of comparatively minor importance which I want to bring to the notice of the Government, and in particular to the notice of the President of the Board of Trade. It is another factor in increased production, namely, enlarging the size of our newspapers. I know that this controversy has been going on for a long time. The answer of the Government is that we cannot increase the supplies of newsprint because we cannot increase our dollar expenditure. With that proposition I am in entire agreement. I say that we cannot increase the supplies of newsprint from dollar sources if, thereby, it means decreasing expenditure on food, tobacco or something else which would be an even greater disincentive than a very short supply of newsprint. In my view it is possible, without increasing our dollar expenditure, to increase in a very short time our dailies to six pages and our weeklies to 12 pages. I say that that is a necessary and vital agency in the battle for production. It may be argued that some of the newspapers will use their extra space to attack the Government. Well, let them, if they want to do that; let them distort if they wish to do so. The truth will out eventually. It is a great handicap that there is no newspaper today that, with the best will in the world, can give a really substantial account of the remarkable speech which we heard from the Chancellor of the Exchequer today, and which should be read by every man and woman in the country.

How can we get the increase without spending any more dollars? We can do it without spending a single additional dollar by stepping up production of British newsprint and giving part of the supply to newspapers and exporting the rest for dollars. The pre-war output of British newsprint was 800,000 tons a year. We were the world's second largest producers and exported considerable quantities, particularly to the Dominions, who now have to pay dollars for their supplies, and, therefore, are causing a drain on our dollars in the sterling area. During the war, our production was cut down to 15 per cent. of capacity, and this year it was at one time as low as 20 per cent. of the capacity of the British newsprint industry. Since July, it has been stepped up to 35 per cent., and in January it is hoped that it will be 40 per cent. of the pre-war rate—320,000 tons as compared with 800,000 tons. I wish that it could be put much higher than that by attempting large-scale transactions of the type which Bowaters, who control some 60 per cent. of the British output, entered into with full Government approval about three months ago. An American publishing house is providing pulp wood and sulphite for conversion into 20,000 tons of newsprint for shipment back to the U.S.A. This transaction, entirely in dollars, will earn us 2½ million dollars. From a previous statement of the President of the Board of Trade, it seems likely that we shall buy 50,000 tons of Canadian newsprint for dollars in 1949, although I read an unofficial statement in the Press this morning that it was only to be 40,000 tons.

That will cost something like 5 million dollars. If this same amount of dollars was spent on Newfoundland pulp wood for conversion into newsprint over here, it would produce 160,000 tons of newsprint instead of 50,000 tons, an increase of 110,000 tons. I am not suggesting that we should not buy Canadian newsprint. I am urging that there is no valid reason at all, so far as I can see—and my figures, I believe, are accurate—why we should not purchase all available supplies of log wood in Newfoundland, and convert it into paper here, thus providing the additional supplies which are so badly needed.

A few months ago, there was available for sale in Newfoundland 60,000 cords of log wood, and I then asked the President of the Board of Trade if he proposed to purchase it. The reply was that we could not do so because of the dollars involved. That stock may no longer be available, but, if that is the case, I am sure there will be no difficulty in getting further supplies of timber from Newfoundland, because there is unemployment in the Newfoundland lumber industry, and I have reason to believe that they would gladly accept a contract. This is a matter of simple arithmetic. We can make three dollars worth of paper over here for every dollar we expend on pulp. If we exported one-third of the paper produced, there would be no dollar loss, and we would have the other two-thirds for ourselves. We could export more than one-third and make a dollar profit, while giving our newspapers a great deal of what they need. The necessary sulphite would come from Scandinavia and would not need to be paid for in dollars. If it had to come from dollar resources and be paid for in hard currency, we should still make two dollars for every one spent. If the Board of Trade decided to import 200,000 tons of log wood, it would absorb the full grinding capacity of the mills in this country and enable our newsprint production to be brought up to 60 per cent. of pre-war, 160,000 tons more than the rate envisaged for next January.

Objection might be raised on the ground of the high cost of British newsprint. It was at one time 50 per cent. above the cost of the Canadian material, but that is almost entirely because of low output in an industry which demands 24 hours working for economic production. The two increases in output this year both resulted in a drop in price; one of them a substantial decrease of £4 a ton. Today, unfortunately, this country has almost the lowest consumption of newsprint in the world compared with pre-war. We consume about 30 per cent. as against France's and Holland's 66 per cent. of pre-war supplies. Even so we have exported to France from our scanty store, and yet France is re-exporting to the United States at the rate of 40,000 tons a year. We in this country believe in sacrifice, and have shown our willingness to make sacrifices, but there are limits.

I have put forward a reasonable case, which I hope my right hon. Friend will answer when he replies. I urge that it should be examined, and if the Government, after investigating it, can accept what looks to me to be a businesslike proposition of immediate and permanent good to this country, then I ask them to do what I suggest as soon as

possible. If newspapers were informed that these larger supplies were coming along and that they could rely on them, they could use stocks now, in order very shortly, if not immediately, to increase the size of the newspapers, and another of our shortages would be largely removed. I speak not only of the big national papers. I know of the position in the country where weekly newspapers are such a help in agriculture, and in production of all kinds. I hope I have not overstated the case. This is not one of our most vital tools of production, but it is a tool of production which could have an important and vitalising effect if the propositions I have put forward are accepted.

8.23 p.m.

Sir Waldron Smithers (Orpington). The hon. Member for Taunton (Mr. Collins) wished that we should have more encouragement for the individual, and, of course, I agree with him. But as long as this Government is in power the whole of their policy is to discourage the individual. The hon. Member then spoke of newsprint, and I willingly support him in his plea for more newsprint for the reporting of our proceedings and other public news. Again, of course, part of the policy of this Government is to cut down the newsprint and, as far as they can, to keep the people ignorant of what is going on, as they do in Russia.

I listened carefully to the Chancellor's speech, during the first part of which I thought to myself, "If ever I were in trouble in a law court and had a bad case I would go to him to try to get me out of it, and pay him the largest fee I could afford." However, his last sentence gave his whole case away, and now if I were in trouble I should not dream of employing him. In his last sentence he said that Marshall Aid would give us a breathing space and allow us to be independent. I shall refer to that again later. Of course Socialist policy will not give us a breathing space, because the policy of State control and bulk purchasing is knocking the breath out of the body politic. Another complaint I have about the Chancellor is that he did not answer my right hon. Friend the Member for Saffron Walden (Mr. R. A. Butler). My right hon. Friend made some very good points, yet the Chancellor did not see fit to answer one of them; he contented himself with a very carefully prepared speech—no doubt prepared for him by those brilliant civil servants at the Treasury.

I had the honour to be present in the gallery in another place during the King's Speech, and I saw there that the whole proceedings were a mockery. In my opinion they were intended to be a mockery, because part of the Socialist and Communist—and there is no difference—technique is to mock at our Constitution and our traditions, and to try to undermine them. On 14th September the Lord President referred to our criticisms of the Parliament Bill as "moonshine." The old poacher instinct comes out even when he does not mean it to— "It's my delight on a shiny night, In the season of the year"—"He has the poacher's instinct, although some people do not see it. During that same speech he referred to "measures calculated to further the well-being Of our people ..."—[OFFICIAL REPORT, 14th September, 1948; Vol. 456, c. 24.] True, the Socialist Government have carried out some of the almost unfulfillable promises which they made in 1945; but they carried them out with borrowed money, and the cost is the solvency of Britain.

The Lord President said it was quite wrong to say that the Government were introducing the Parliament Bill in order to be able to carry through in this Parliament the nationalisation of the iron and steel industry. It is common knowledge that the Government mean to enact in this Parliament a Bill to nationalise the iron and steel industry. The Minister of Supply said so recently in a speech in the North, if he is reported correctly. The remarkable thing is that Lord Bruce of Melbourne, who is Chairman of the Finance Corporation of Industry—which although not a Government Department is a Government-sponsored Department, and part of their policy of planning—is reported in the "Financial Times" of 15th September as describing the Parliament Bill as "grotesque." I commend that to the attention of the House as the expression of an honest man, who in that speech said he owed allegiance to no Party, and added: "I believe the Government by summoning this present Session of Parliament for the object of putting through a Parliament Bill—which everybody realises has no other object than to make certain that during the period of this

Parliament iron and steel can be nationalised—has created one of the greatest dangers that has ever been put before this country by any political party.” That is a statement by a responsible man who is head of the Finance Corporation.

I am told by authorities in the iron and steel industry that under the umbrella of that industry there are 40 other major industries. Do the Government really mean to nationalise iron and steel, which contains 40 big industries, with the experience the Government now have after three years of the loss of £23½ million on coal in the first year and the rise in the price of coal, gas, electricity and transport which impedes or destroys our ability to export at world competitive prices? I commend Lord Bruce's observations to hon. Members opposite, because he puts country before party. The hon. Member for East Middlesbrough (Mr. A. Edwards) has also put country before party. If the Government do not intend to nationalise iron and steel why did they kick him out of the Labour Party? The finest thing that could happen for this country is that the hon. Member should be free to tell the truth. The Government are determined to enact ideologies and slogans and damn the consequences. Many believe that it is part of the policy of this Government to create misery and want. The Lord President of the Council is a clever tactician and electioneer, and just before the next Election he will announce remedial measures and say, "Look what the Socialists have done for you." The right hon. Gentleman said, the other day: "It is said that the Labour Government are seeking to take the country on the way towards single-Chamber government. We are not. This Bill does not lead to single-Chamber government...."—[OFFICIAL REPORT, 14th September, 1948; Vol. 456, c. 26.] I believe that the people of this once free country are not so foolish as not to see that this is the first step towards single-Chamber government. There is no real difference, in principle, between the policies of Stalin and Hitler and those of this Government. What the Government want is power. As Lord Acton once said: "All power corrupts, absolute power corrupts absolutely." Recently, I wrote to the Prime Minister and reminded him of some of the sayings of himself and his colleagues before they had the responsibility of office. I want to take this opportunity of giving a few quotations to the House, and I hope that Ministers' secretaries will show today's copy of HANSARD to their Ministers, whom I invite, nay, challenge, to say whether they still adhere to what they once said. The Prime Minister, in "Problems of a Socialist Government"—and I have an Amendment to the Address on the Order Paper.

Mr. Shurmer Let us have the quotation.

Sir W. Smithers I was giving the reason for the quotation. I have an Amendment to the Address, directed against Communism, and asking that steps should be taken against it. That is the reason why I give this quotation by the Prime Minister: "I conceive that the district commissioner as something more than a public servant. He is a local energiser and interpreter of the will of the Government. He is not impartial. He is a Socialist and therefore in touch with Socialists in the region who are his colleagues in the campaign. It may be said that this is rather like the Russian plan of commissars and Communist Party members. I am not afraid of that comparison. We have to take the strong points of the Russian system and apply them in this country." I challenge the Prime Minister to say publicly whether he does or does not still adhere to that declaration. The Chancellor of the Exchequer, in "Can Socialism Come By Constitutional Means," said: "The Socialist Government's first step will be to call Parliament together at the earliest moment and place before it an Emergency Powers Bill to be passed through all its stages on the first day. This Bill will be wide enough in its terms to allow for all that will be immediately necessary to be done by Ministerial orders. These orders must be incapable of challenge in the courts.... At the present time it is left to the courts to decide whether these orders are within the powers given to Parliament.... This power must be taken from the courts." If that is not Hitlerism I do not know what is, and I challenge the Chancellor to say whether he still adheres to that or not. Here are two short quotations by the Minister of Food, the first from the "Daily Worker" of 29th September, 1937: "Let us, then, devote intense efforts this winter to building up the Communist Party precisely because that is the one way by which we can ensure the immediate revival of the Labour Party." In 1938 the right hon. Gentleman said: "Like all Socialists I believe that a Socialist society evolves in time into the Communist society." I challenge the Minister of Food to come out in public and say whether he still believes those things. The man with these ideas in his head is the man who is in control of the food of this country. The Government, of course, want to keep on food rationing because

they want to keep the people down so that they can get more power to bring in Communism as soon as they can. These leopards do not easily change their spots.

Mr. Shurmer Tigers.

Sir W. Smithers I ask Members opposite to give me a hearing, because I have been sitting here for 5½ hours and my time is limited. I realise that Members opposite do not like this because it gets them on the raw. As is said in the book of Proverbs: "For as the crackling of thorns under the pot so is the laughter of the fool..."

Mr. Shurmer This is better than "Itma."

Sir W. Smithers Now these Ministers with responsibilities of office have had to change their tune. The Chancellor made a speech recently in Belfast. I do not know why he did not make it in England. There, he made the point—and this has to do with the speech he made today—that although production had increased it was mainly due to the intake into industry of one million more men, but that output per man had gone down. To me, that shows that the spiritual content of Socialism is a fraud and a delusion.

In this Debate we are dealing with Marshall Aid which is for all Europe. French statesmen, from M. Reynaud downwards, have told the same grim story about France. Last week, in the "Sunday Pictorial," Lord Vansittart wrote an article called "Is France Doomed?" Lord Vansittart has been one of the best friends that France has ever had in England. Another French statesman said recently, "France is faced with anarchy, bankruptcy and slavery." I would point out to Members opposite that all that has been said about France recently applies with greater force to Great Britain—

Mr. Shurmer Do not talk silly. That is rubbish.

Sir W. Smithers Mr. Speaker, I ask you to keep the hon. Member quiet. At a pinch, France can be self-supporting but if we build a wall around Britain, and nothing comes in and nothing goes out, we should starve in six months.

Mr. Shurmer I will bet that you would run away then.

Sir W. Smithers If, however, a wall is built around France, and nothing goes out and nothing goes in, she could still just live. Britain is not, and cannot become, self-supporting. We have to export at world competitive prices or starve. Britain was built up on free enterprise, and can only exist on free enterprise. The hon. Member for Taunton spoke of giving people more encouragement, and letting them get on with their jobs. God gave Moses, on the Mount, Ten Commandments for the guidance of the human race. There is a beautiful picture depicting this in the Moses Room across the Lobby. The only real job of the Government is to punish people for disobeying one of those Commandments but this Government, in their vanity, and in peacetime, too, are trying to run the country by 25,417 commandments. Of course, no man and no Department can administer these rules and regulations. The result is that administration breaks down, there is contempt for the law, and there is frustration and delay, which is one of the main reasons why we are not having the economic recovery which we might have had if any other Government but this one had been in power.

The immediate future of this country and of Europe depends on Marshall Aid. I want to quote a short paragraph from a wonderful book written by Mr. Henry Haslett called, "Can dollars save the World?" Mr. Haslett, who is a friend of Britain, says: "It would be ungenerous and short-sighted to minimize the appalling physical destruction and the enormous economic and political problems that the last World War brought upon Europe. We can never forget that in the war against Nazism England stood for a whole year alone. Thousands of her houses and factories were destroyed by blitz. Her peacetime equipment ran down. Her export trade was reduced to less than a third. Most of her foreign investments had to be sold."

Mr. Shurmer That smashes all the arguments of the hon. Gentleman.

Sir W. Smithers The paragraph continues: "Yet when all this has been admitted, we must go on to ask ourselves in all candour whether it is the destruction and dislocations of the war or the governmental policies followed since that war which are primarily responsible for the present European crisis. And whatever we decide regarding the causes of the present crisis, we must also keep in mind that the central question we have now to answer is not what caused it, but what measures and policies are most likely to cure it. Our real problem is not the past, but the future." The Chancellor in his speeches is continually saying that the crisis is being caused by rising world prices. I quote Kipling: "a servant when he reigneth throws the blame on someone else." The American loan was for £1,100 million and was to last for three years, but this Government squandered it in about one year and it was only worth £850 million. The reason was that the Minister of Food went in for State trading and did not allow the merchants—

Mr. Shurmer To make fat profits out of the people's food.

Sir W. Smithers I appeal to you, Mr. Deputy-Speaker, to keep that man in Order.

Mr. Deputy-Speaker (Mr. Hubert Beaumont) When I deem it necessary I will administer the necessary admonition.

Sir W. Smithers Instead of allowing the experienced traders of Mincing Lane, the Baltic Exchange, Liverpool, Manchester and elsewhere to go out into the world and get our food under healthy competition this one man went to buy it for the country and, of course, the rest of the world put up their prices against him. In the "Economic Survey" there is this sentence: "On no account must Marshall Aid be used merely to provide greater ease and comfort." Yet the Chancellor of the Exchequer in his next sentence adds almost £200 million to Civil Estimates. However desirable these Civil Estimates and social services may be, number one social service today must be food and raw materials.

I need not introduce arguments from the Opposition point of view for the Government stand condemned out of their own mouth. Here I have a little book called, "Matters of Fact, No. 6. How are we doing?" It is issued out of the taxpayers' money by the Central Office of Information. It is simply a piece of propaganda to whitewash the misgovernment which has taken place during the last three years. I want to quote two short sentences out of that publication: "Nevertheless the gap between the amount spent on imports and the amount earned by exports has not markedly decreased in the last few months. This is a situation which could be disastrous if it were not set right and the degree of success in meeting it must be watched narrowly from month to month." Then on page 9 we have this: "One thing is certain, that E.R.P. aid will not be sufficient to cover more than one-third of last year's dollar deficits."

America looks across the Atlantic and sees 50 million potential customers. For the good of America, for the good of Britain and for the good of the whole world she wants those 50 million customers to be creditworthy, so that they will be able to pay their debts and she sees that without dollars that State, which is controlled by Socialism, is approaching bankruptcy. If I were America—and let the House remember that Marshall Aid is renewable every year—when the next renewal period comes round I would say to this Government, "Not another dollar do you get unless you promise not to nationalise iron and steel." That may be said to be interfering with the sovereignty of Britain, but it is no more interfering with the sovereignty of Britain to give or lend aid than to refuse to give or lend aid.

There is another sentence in this Government publication which is: "Particularly we need American dollars?" That sentence might be taken to imply that some blame falls on America for not letting us have enough dollars. The blame is on the rest of the world because there is a shortage of goods and services at world competitive prices which America requires. This country has to face the facts and has to produce goods and services at world competitive prices or face starvation. The consumer always pays. As I have said, we have to export at world competitive prices. The foreign consumer refuses to pay for our Civil Estimates if the cost of those Civil Estimates is added to the cost of production. The whole policy of Socialism destroys character. It takes away the desire for thrift, or individual effort and it gives to the people, 80 per cent. of whom are economically and financially uninstructed, the impression that the

State is a fairy godmother with a bottomless purse and that it can keep them from the womb to the tomb. It destroys character. Only recently I was in a Northern town to address a meeting and the old chap who drove me to the station—

Mr. Shurmer—said, "You have got no character."

Sir W. Smithers Quite right, Sir. He told me that every week in that town when they went to draw the family allowances they said, "Come on Bill, let us go and draw the beer money."

I want to refer to another way in which Communism can menace this country. The introduction of a Bill to nationalise iron and steel will help Communist activity for this reason—in the trade unions there is the method of card vote. I am told that the people today who have that enormous control through the card vote are more or less respectable people. I am told by a leading trade unionist that the great danger is that if we get much more of industry nationalised the Communist shop stewards will get control, those more or less respectable men will be pushed out and the Communists put in their places. The T.U.C. is the paymaster, and calls the tune. The T.U.C. will then be ruled by Communists and this Government will be ruled by a Communist-ruled T.U.C.

Mr. Gallacher And goodnight, Orpington.

Sir W. Smithers There is only one slogan which will lead to the recovery of this country. It was given by the right hon. Member for Woodford (Mr. Churchill). It is "Set the people free." Allow the men and women of this country freely to use the talents God has given them. We are commanded to love our neighbour as ourselves. That implies that it is not wrong to love yourself, to strive, to work hard, to be thrifty. How could I give away one of my coats if I had not worked to buy two? "Set the people free"; let the people trade. If goods cannot cross frontiers, armies will, and we see that happening, or about to happen, in Berlin today. Recovery can only come by taking off these controls in a reasonable way, as soon as practicable. "Set the people free" to get to work and to earn and reap the reward of their own efforts. If the people of this country will not listen to the voice of reason they will have to learn their lesson by very bitter experience.

8.52 p.m.

Mr. Sparks (Acton) I am sorry that I have only three minutes in which to make a contribution to the Debate today, as I should very much like to have taken up many of the matters mentioned by the hon. Member for Orpington (Sir W. Smithers). I am afraid it is quite impossible for me to follow him into the realms of fantasy; I do not think he fully realises that Queen Anne has been dead a very long time.

I want to remind him and those of his hon. Friends on the opposite Benches who, during this week, have poured forth a great deal of ill-considered criticism upon the policy of this Government, that they have failed to realise, and still do not realise, that they are not the only persons in this country and in this Chamber capable of assuming the responsibilities of State office. They have ruled and governed this country for a very long period of time and they have not yet realised that there are other people in other parties who may well be a little more capable than they have shown themselves to be in days gone past of taking the responsibility of State administration.

As a matter of fact, they are in the position they occupy today because the people of this country have completely lost confidence in them and in their policy. From the days when they did govern us the country and the people know only too well what they would have to expect were the party opposite the Government today rather than the present Labour Government. I believe quite sincerely that if they had been returned to power in this Chamber in 1945 the prosperity of our country would not have been as great as it is today. In fact, I believe conditions would have been very much worse.

One listens from time to time to try to gather from them exactly what is their alternative solution to the problems of our day. The official Amendment which is on the Order Paper criticises the Government over the mounting national problems for which, they say, the Government offer no solution, but I have heard no solution whatever suggested from the Opposition Benches. I understand that it is a function of the Opposition not merely to criticise but also to offer an alternative policy, but I have heard no alternative policy except a re-hash of old, outworn, economic theories which bear no relation to present-day problems.

In view of the dismal picture which has been painted from the benches opposite, I think it is right to remind the House of the position at the present time in our schools. Never was there a higher nutritional standard amongst the school children than there is today, after three years of Labour government. The infantile mortality rate is progressively lower year by year as is the maternal mortality rate and the death rate. Unemployment has never been so low in peace time as it is today. There is full employment for all. The old people are living longer than they used to live under Conservative Governments. No one goes hungry in Britain today. There is not so much poverty in our land today, after three years of a Labour Government, as there was during that long period between the two wars.

We can only compare our conditions today with those which obtained when the party represented on the Benches opposite had charge in this country. We know that three years after the first world war there were over a million men unemployed in this country—men who could not get work. We know that, over a wide range of food, prices were very much higher than they are today. We know that 1921 opened a long period of intense misery, suffering and malnutrition among millions of the people of our country. We know that the birth rate declined, and we realise that today our shortage of manpower is due to the decline in the birth rate during those inter-war years, when unemployment and poverty were so rife.

We have, therefore, much to be thankful for that a Labour Government has come to power in this country, because it has done great work amongst the poorer people of this land. I am quite satisfied that when the test of opinion comes in 1950 we shall have a repetition of what we have experienced in all the by-elections we have fought since the Government have been in power.

Mr. Boyd-Carpenter Like North Croydon?

Mr. Sparks If ever a test of opinion were necessary on the goodwill and confidence of the people in this Government, it is to be found in all the by-elections which have been fought and won by Government candidates fighting under the policy of this Government. I feel, therefore, that when the hon. Member for Kingston-upon-Thames (Mr. Boyd-Carpenter) tells us that this Government is disrupting national unity, he forgets that national unity, on the basis which he lays down, assumes that the Government must lie down to the wishes and policies of the Conservative Opposition. If national unity is to be achieved it must be realised that the people sent this Government to power to carry out a certain policy and that it is not national unity for the party of the hon. Member for Kingston-upon-Thames to try in the other place to thwart the will of the people, to try to defeat legislation which this Government proposes and for which the people of this country voted in 1945.

It is quite easy to prate about national unity, but speeches we have heard from the benches opposite have done more to disrupt national unity than anything which has been done from this side of the Chamber. I think the time has come when these facts should be given the widest publicity and that hon. Members opposite and their friends in another place should realise that we have come to power in this Chamber and we intend to carry out our policy—the policy with which the people of this country have agreed—and that if they attempt to thwart our will, as they have said they will do, they cannot expect that any Government which has been democratically elected will accept a position in which its will is to be thwarted in another place.

In conclusion, I will give just this word of encouragement to the Government. I ask them to carry on the good work. I know that in our great factories and industries, with some of which I have some little acquaintance, there has never been greater confidence in any Government in our whole long history than there is today in the Government now in power. The workers of this country are wholeheartedly behind the Government. Had a Conservative Government been sitting here instead of us, I doubt very much whether we would have had the state of industrial peace which exists at present or the level of production which has been obtained in our factories and workshops. We know what happened in 1921. We know the wage policy of the party opposite. We know the unemployment which followed on their doings in this Chamber. The industrial workers of the country have no confidence whatever in the Conservative Party and those who sit on the Benches opposite. Their confidence is in this Government.

The Government are doing a good job of work. They are reviving the industrial prosperity of our nation. In the mines, on the railways and in other transport, in gas and electricity and in all the fields where industry is now being run in the interests of the country and the people, we shall have greater efficiency and production, and the industrial workers will see our country and the Government through any difficulties which may lie ahead.

9.1 p.m.

Lieut.-Colonel Elliot (Scottish Universities) While I sympathise with the hon. Member for Acton (Mr. Sparks) in having to compress the whole of his recent campaign speeches into the short period of six or seven minutes, I must compliment him on the way it was done. It was done with vigour and robustness, and it brought to the Government what must have been a freshening sense of support after a Debate which for two days, with the exception of the speech of the Chancellor of the Exchequer, has been as damaging to the Government as any two days any Government has ever spent in Parliament.

It was perhaps a little awkward that in the inevitable compression of his remarks the hon. Member had to repeat that unsolicited testimonial to the social policy of the Conservative Party in the 20 years of Tory misrule, and had to point out the consistent improvements of the public health during the whole of that time. We were very glad to have that testimony from the right hon. Gentleman the Minister of Health and, of course, we are glad to have it confirmed by the hon. Member for Acton. However, he exaggerated a little when he said that all the vital statistics are constantly improving. As my colleagues from Scotland very well know—the hon. Member for West Fife (Mr. Gallacher) will bear this out—since the Labour Government came in the movement of the tuberculosis statistics in Scotland has been continuously adverse and it is now the worst for 20 years. [An HON. MEMBER: "That is not the fault of this Government."] The Labour Government claim the credit for any improvement, and if they do so they must also take the blame for any failings.

The fact is that these things are the result of long periods of work and struggle not by one party or another party only. A continuous improvement in the conditions of the country over 20 years and more is a thing of which we all have a right to be proud. When the hon. Member objects to people on this side of the House disrupting national unity by their speeches, he should search his own conscience and see whether an accusation of deliberately inducing ill-health among the working-class population of this country could ever be supported or, if it could be supported, whether it would be conducive to national unity.

The right hon. and learned Gentleman the Chancellor of the Exchequer has today delivered a very important survey of our affairs, backed by a very interesting White Paper, which will, of course, require far more study than one is able to give it simply in the course of sitting on a bench with a great Parliamentary argument going on. The Chancellor's speech and the Debate have been pulled continuously by forces which inevitably dragged the Debate away from the purely economic aspect to which the Chancellor so rigidly confined himself. No doubt in the circumstances it was inevitable, but the Chancellor certainly rested the whole of his case on four points. One was the continuance of self-restraint and the utmost effort by the people of this country, and the second was continued support from the sterling

area. The third—this is the most important of them all—was that nothing unexpected should supervene, and the fourth was that European co-operation should continue to go forward.

It is that third point, the point of whether something unexpected would supervene, that continues to distort and pull out of shape the Debate on purely economic affairs as we have tried to direct it today. Partly it is due to the fact that the very important points raised yesterday—Malaya, Hyderabad, Palestine—were, I can only say, most inadequately answered by the right hon. Gentleman who was deputed by the Government Front Bench to do so. Inevitably, when points of such importance are raised and are left entirely unanswered, a hangover from them takes place in the next Debate. I will not ask the Economic Secretary to the Treasury to carry out a task when the right hon. Gentleman the Chancellor of the Duchy of Lancaster confessed himself totally incapable of doing, but I hope that at some time or other before this Debate ends, or at any rate before this Session ends, it will be possible to obtain an answer to some of those points which, if not answered will certainly justify to the hilt the accusations of the Opposition in the Amendment which we have tabled.

The arguments that have been made today justify us in looking for another title for this Session, which has been called the "Short Session" or the "Petty Session." The Chancellor of the Duchy of Lancaster tried to christen it the "Bonus Session"—a characteristic touch. I think it would be better called the "Disquieted Session," because there is no doubt that in the whole of the arguments of yesterday, and to a certain extent today, the House has been disquieted, the House has been perturbed. The House was reassured, perhaps over-reassured, by the speech of the Chancellor of the Exchequer, but that reassurance faded away again, and again disquiet and uneasiness were manifest, not merely in the speeches from this side, but in the speeches from the other side also.

One of the hon. Members for Birmingham complained rather strongly that no remedial measures for the high cost of living had been introduced. The hon. and learned Member for Northampton (Mr. Paget) explained that nationalisation should be applied only when one did not desire to make a profit—a very interesting argument, and an argument of which I think we shall hear more when the President of the Board of Trade comes to intervene in this Debate. At least, I hope he will read with care the arguments of the hon. and learned Member for Northampton and see whether these are the grounds upon which he wishes to commend nationalisation to this House and the country. But all over the feeling was—here is a Paper which certainly gives us a more encouraging picture than we have seen. But does it really mean that we have turned the corner? The Chancellor of the Exchequer had certain encouraging things to say, but at the end of the argument it was still true that he had a position in which our deficit, as far as I could understand, was still an overall deficit of £280 million instead of £630 million a year before, and a Western deficit—if one might call it so—of £390 million instead of £670 million of the year before.

These are still very disquieting facts, and while it is true that the Chancellor of the Exchequer said we must work hard, we must not let up, we cannot afford to relax our effort at all, the effect left upon his supporters was that somehow or other there was a rabbit in the hat which was to be drawn out of it, that the arguments of certain hon. Members that a Budget was coming along which would sweep away all our economic difficulties and enable the Government to ride to a triumphant General Election, were somehow to come true. That was not really what the Chancellor said. He said that we were within sight of getting back to the position of 1946—before the disastrous reign of his immediate predecessor had knocked the finances of this country endways until they required the most drastic efforts of all sections of the community to put them right. All that he said was that, given four years of austerity, rigid economy and self-restraint—and Marshall Aid—it might be possible to get back to the conditions in which we were before the war. Certainly that is very far from the hopes and aspirations which hon. and right hon. Gentlemen opposite commended to the people of this country when standing at the last General Election.

The Chancellor of the Exchequer pleaded that in some way or another this Government deserves sympathy because what are called terms of trade had changed against them. One hon. Member referred to Sir Henry Tizard's recent

address to the British Association. If the hon. Member had followed the address more closely, he would have remembered that Sir Henry Tizard pointed out that the terms of trade now are no more against this country than they were in the period from 1885 to 1914. before the first world war, when, indeed, the great accumulations of capital were being made and the great oversea investments built up upon which this country has drawn so lavishly ever since. Taking 1913 as 100, he said we had to export more than £100 of goods now to bring back £100 worth of imports. although it is true that in the years between the wars we did export less.

There is no law which says that because, in 1938, with £71 worth of exports we could buy £100 worth of goods, that should be a law of nature, and that terms of trade which existed for a far longer period before the first world war should not recur. Those terms of trade have recurred, and hon. Members cannot complain that some law of nature has somehow or other turned against them. The fact is, as has been said on more than one side, that the agricultural producers of the world are not prepared to give the same amount for industrial products as they were. Judging by the rising world population and the increasing demand and strain upon the foodproducing recourses of the world, it is doubtful whether those earlier conditions will recur in the near future.

I think that the right hon. and learned Gentleman painted a somewhat too favourable picture. There are certain things in the White Paper which we should certainly like to explore still further. We should like to know a little more about what the right hon. and learned Gentleman calls invisible exports. I understand that they now include oil, tin and rubber. Those are things which the man in the street certainly has not regarded as invisible exports. He has thought more particularly of shipping, insurance, banking—the services. If invisible exports are to include those great physical assets, it is true that what the Chancellor called the volatile nature of those assets will become very evident. It is probable that tin and rubber, among other things, may suffer a very severe falling off, with the extremely disturbed state of affairs which exists in one of the countries from which we chiefly draw them—Malaya, for instance.

I think it is also true to say—and this shows how intimately connected political and economic matters are—that the whole oil production of the Middle East will be greatly disturbed and upset unless it is possible for the oil of Irak to pass to the refineries at Haifa and be there refined. If the Government continue to wash their hands of responsibility for that vital portion of the world, it is very probable that not merely their political, but their very economic policy will be upset thereby. I do not think it is possible for the Government of this country to disinterest themselves in one of the most important economic areas of the world. Certainly, I do not wish to stress the moral degradation in which we are earning equally the contempt of both the Jews and the Arabs, a thing which I should have thought would have baffled the efforts even of the most vigorous propagandist on the other side. When we find that they have been able to do that and in addition are putting the whole of our economy in the East in jeopardy, it is well worth while their considering again whether they can continue on the lines on which they are now moving.

The hon. and learned Member for Northampton said that he desired to nationalise as little as possible, because it was a thing that demanded supermen, of which there was a short supply. Yet that is really the only purpose that we have been called together to facilitate this occasion. I understand that the President of the Board of Trade is to wind up the Debate tomorrow. I wonder whether he will pay attention to the wise words of his own Permanent Secretary on this subject. In December, 1947, addressing the Institute of Public Administration, his Permanent Secretary said: "I fear greatly for the central machine of Government. It seems to me very doubtful whether it can stand for long the continuance of the present pressure." He delivered an address of great weight, and certainly the result of close experience, which made it very clear that he feared that the mere pressure of work would destroy the efforts which either Ministers or civil servants could make to carry through the policies on which they are now engaged. Indeed it was not surprising. He pointed out that in 1938 the letters received by the Board of Trade were about 45,000 a month, in 1947, they were 1,250,000 per month. Everybody who knows Government Departments knows that the outward correspondence of the Board of Trade was probably no less voluminous than its inward correspondence. None of those letters was producing anything. They were from people asking for permits to do something. The President of the

Board of Trade will have opportunity later of justifying the 1,250,000 letters which his Department receives per month, and he will have the opportunity of saying whether his Permanent Secretary was right or wrong in considering that the continuance of the present pressure would go far to destroy the machine of Government altogether.

It was for these reasons that my right hon. Friend the Member for Saffron Walden (Mr. R. A. Butler) put certain questions which the Chancellor, with his great speech before him, said he was unwilling to answer. I trust that the Economic Secretary to the Treasury will be able to answer them. He asked whether, with our present state of resources, we could stand the extra burdens of nationalisation; whether we could stand the continued extravagances in Government expenditure; whether our overseas commitments were proportionate to the needs of this country and what the effect would be of the increased Estimates on Defence, and indeed for the social services as well. These are all very germane to the problems we are now discussing, and I trust that the Economic Secretary to the Treasury will not attempt, in that engaging way of Ministers, to laugh them away by asking a series of rhetorical questions of the Opposition. A quarter of the national income of this country is going across the desks of 20 men in Whitehall, and this is the congestion which Parliament has been called together to intensify. I do not think Ministers will find that very easy to justify. It is perfectly easy to give innumerable examples of the in-coherences in Government resulting from this pressure, but I will give only two or three.

Take the groundnut position, for instance, the classic example in which scores of millions of pounds have been sent out to East Africa to produce groundnuts, of which hundreds of thousands of tons were lying in stacks in West Africa only waiting to be lifted and delivered. As late as 12th May this year there were still 280,000 tons of groundnuts lying in Kano waiting to be moved, and the only reason that was given was that it had been neglected to order, or manufacture, and send out a handful of locomotives, some 20 or 30—all that were necessary to move that crop. We cannot call that anything but the negation of Government—to disburse scores of millions in Africa on a scheme which would certainly not produce that weight of groundnuts for many years, while, at the same time, the same articles were lying in sacks waiting to be delivered.

I do not consider that that could be called anything but a breakdown in Government, all the more so since it had been possible to raise that weight of food in West Africa without all this ballyhoo. The imports of groundnuts into this country went up from 86,000 tons in 1932 to 326,000 in 1938 without the necessity for a personal visit by the Minister of Food, without any necessity for his ordering tropical suits and departing from this country to examine the products of tropical agriculture in an embryonic stage, on which, Heaven knows, he is no authority, nor is ever likely to be. All these things were done by ordinary individuals in this country and in West Africa, and it is the sort of task which the individuals of this country are still capable of proceeding with. What they want is that they should not be interfered with to the extent to which they are interfered with by the Government and the 1,250,000 letters per month that reach one Government Department alone and require to have an answer.

Mr. Paget Does the right hon. and gallant Gentleman consider that the development of the Colonial Empire is a very good advertisement of those efforts?

Lieut.-Colonel Elliot I certainly think so. I think the development of the Colonial Empire in raising that groundnuts production to 326,000 tons in 1938 is a very good advertisement of our efforts. It was done during the years of Tory misrule, and if the Minister of Food had devoted his time to the groundnuts which Tory misrule had provided before he began to parade a planned misrule of his own, he would have produced a great deal more oils and fats in a shorter time for the housewives of this country.

I will give another example. The difficulties of feeding this country can be alleviated to some extent by international action, by action within the Empire, as in the case of nuts and fats from Africa, and they can also be alleviated by the exploitation of our resources nearer home such as the exploitation of the fish resources adjacent to this country. The Parliamentary Secretary to the Ministry of Agriculture is closely concerned in this. He is partially responsible for the

fisheries of this country. The fish consumption of this country is largely dependent on the state of the fish stocks in the North Sea. Those stocks are rapidly running down. Already, the amount of fish got per man hour is 20 per cent. less than it was last year, and yet the whole of the food programme of this country rests, to a considerable extent, on an increase of the fish consumption of the people of this country. Yet that opportunity for international cooperation is not being pressed with the vigour with which it might have been.

I have here the final report of the Standing Advisory Committee of the International Fishing Conference which sat in April, 1947. The report came out in 1948, but no action upon it has yet been secured. It is perfectly true that this country is no doubt doing the best it can in a quiet way, but if Ministers were willing to press the matter with the vigour which they should have exercised, and if the Foreign Secretary, as well as the Minister of Agriculture, had thrown his weight into it, I think it would have been possible to make—[Laughter.] The Foreign Minister is certainly more capable of throwing his weight into it than almost any other Minister on the Front Bench. All I am complaining of is that this powerful impact was not brought to bear upon the subject. I think it might have been brought to bear more fruitfully on that problem than on some others to which the Foreign Secretary has devoted himself in recent years.

That is not to say that the Foreign Secretary or, indeed, the Chancellor of the Exchequer are not making some effort towards European Recovery. I understand, again from the Chancellor's speech, that 800 million dollars are necessary for European trade to circulate—800 million dollars over and above what Europe can pay for. I gathered from the Chancellor's speech that he was expecting that we in this country could produce nearly 400 million dollars. That is undoubtedly a very creditable act, but that, like the other acts which this country is undertaking, depends upon, and can only depend upon, an adequate level of home production—and an adequate level of home production at a reasonable price.

Here, again, the action of the Government is to reduce the chances of production at a reasonable price. They have nationalised certain industries. Coal, for instance, has gone up since being nationalised by 6s. 6d. a ton for inland consumption and by 25s. a ton for export. The Government have nationalised electricity. Among other cities, Leeds has had its electricity charges increased by 30 per cent., Edinburgh by 30 to 40 per cent., London by 26 per cent., and Aberdeen by 22 per cent. These are not steps which are likely to improve the chances of competition by the people of this country in the trades in which they will have to work very hard, according to the Chancellor's statement, if they are even to maintain the position in which they now are, let alone raise it. The price of the fundamental necessity of shelter has been increased about three times. Housing now costs about three times what it did before the war, and when challenged on that point, all that the Minister of Health says is that the price of other things has gone up a very great deal more. These are the marks of inflation about which complaint has been made by other hon. Members tonight.

Unfortunately, owing to the number of hon. Members who have desired to take part in the Debate, it is not possible to develop to the full many of the arguments which I should like to bring to the attention of the House, and particularly to the attention of the Economic Secretary to the Treasury. But the fact remains that in the political sphere abroad the country is conscious of great disturbances just over the horizon which may at any moment burst completely these carefully arranged schemes which are laid out in the White Paper here. It is also conscious of the fact that even with the greatest good will and the greatest effort by all concerned it will be very difficult for us to maintain our position without Marshall Aid when that comes to an end, and to stand again upon our own feet.

In those circumstances, we say that deliberately to embark upon a course of action which can certainly not add one iota to the production of this country, to summon Parliament back under the conditions in which it has been summoned, to put through a paltry Measure which is the only thing for which King, Lords and Commons have met

together on this occasion, is a piece of levity which it is very difficult to equal and impossible to surpass in the whole history of this country.

9.31 p.m.

The Economic Secretary to the Treasury (Mr. Douglas Jay) We have certainly had a varied Debate today. We have listened to the right hon. Member for Saffron Walden (Mr. R. A. Butler) talking about a great many things other than economic affairs. We have listened to the hon. Member for Louth (Mr. Osborne) pledging almost unqualified support for the Chancellor's economic policy, and we have listened to the hon. Member for Orpington (Sir W. Smithers) audibly turning in his intellectual grave. What we have not heard today is any serious criticism of the Government's economic policy.

The hon. Member for Kingston-upon-Thames (Mr. Boyd-Carpenter), I thought, fell rather solemnly into a simple logical fallacy. He protested that the Government were introducing a Bill for the reform of the House of Lords but were not introducing any Bill to remedy our balance of payment difficulties. The reason for that is that a Bill is necessary to reform the House of Lords, but legislation is not necessary to deal with the balance of payments, because we have already taken all the powers we want there.

Mr. Boyd-Carpenter I am sure the Economic Secretary does not want to misrepresent me. The only legislation which I suggested should be introduced in lieu of this Bill was not legislation to deal with the balance of payments but legislation to deal with questions of defence and, to be quite precise, an Amendment of the National Service Act and the Civil Defence Act.

Mr. Jay The point I am making is that we believe in dealing with all these questions, and we intend to do so.

Mr. Boyd-Carpenter Why not do it now?

Mr. Jay How anybody who heard the Chancellor's speech today could think that we were failing to deal with the balance of payments I do not understand. The right hon. and gallant Member for the Scottish Universities (Lieut.-Colonel Elliot) seemed to me in his speech to find himself not quite at home in the economic world of today. Perhaps that may be because he flourished in the days of restrictionism and falling supplies in the 1930's, and we live in a period of expanding production today.

I should like to give some figures to illustrate that contrast and so to add to the record of qualified optimism which my right hon. and learned Friend the Chancellor gave us on the balance of payments by mentioning some of the further progress which we are making towards the targets in the Economic Survey for 1948. In doing that I should like to try to include the darker side as well as the brighter side of the picture, because there is a darker side, and whatever we do we must not run away today with any sort of facile optimism. The darker side is that there is still a large deficit in our balance of payments and there is still a large dollar deficit. That deficit in our balance of payments, as other hon. Members have pointed out, is almost entirely accounted for today by the movement of the terms of trade against us, and it is true, as several hon. Members have pointed out, that but for that we should be virtually in balance today.

I would like to answer one particular question which the hon. Member for Louth asked, and that was whether the use of the figures for the first six months in the White Paper were misleading. Although forecasting is always uncertain, I think I can reassure the hon. Member that it is very unlikely that the import figures will be much larger in the second half of the year than in the first half.

Mr. Osborne I asked the Chancellor of the Exchequer if he could give the figures for the six months of 1947, and he said that he had not got them. The Economic Secretary has had all this time to get them. Surely, if we are to compare, we must compare like with like, and the House is entitled to have the six months' figures.

Mr. Jay In 1946, there was very little difference between the two six months. In 1947, the figures for the second half were rather larger, but we do not anticipate that they will be so this year. The right hon. and gallant Member for the Scottish Universities asked why we classified oil as an invisible export. The answer is fairly simple. Oil is not a United Kingdom product. It is a commodity which United Kingdom companies buy in various overseas countries and send to other countries, and, therefore, our foreign exchange earnings in that case arise from profits on those transactions and not as sales of United Kingdom exports. That does not apply in the case of tin and rubber, which are visible exports of the Colonial countries concerned.

So far as the brighter side of the picture is concerned, we now have evidence that the efforts that we have been making are beginning to succeed. For June of this year, the provisional index of all industrial production shows that our total output was 24 per cent. above the level of 1946, and it was 23 per cent. in April and 18 per cent. in May. The further calculations which some hon. Members may have noticed in this month's Statistical Digest, show that our total production in 1946 was very similar to that of 1938. It follows from that, that British industry as a whole this summer has been producing at a rate of more than 20 per cent. above that of 1946, and 1938, when the right hon. and gallant Gentleman's Government was, I believe, in power. After the war of 1914–1918, it was actually nearly 15 years before Great Britain's production recovered to 20 per cent. above what it had been before the war. That, I think, is a rather remarkable and encouraging fact—and we were asked for words of encouragement by the right hon. Member for Saffron Walden—which is perhaps not as widely known as it ought to be.

Even more encouraging is the success of the export drive for the past 12 months. In the Economic Survey, we set a target of 140 per cent. of the 1938 volume to be reached by June of this year and 150 per cent. by December. We achieved 134 per cent. in April, May and June, and an actual provisional figure of 149 per cent., which may, of course, not be maintained, in July of this year.

When we look at the individual industries there is, of course, a varied picture, but, nevertheless, the trend is upward. It is not merely shipbuilding, motor vehicles and metal industries as a whole which are producing at record levels today, but a variety of other industries, such as rayon, cement, and various chemicals, and the production of gas and electricity; and may I say, in reply to the hon. Member for Leominster (Mr. Baldwin), that various agricultural products such as milk, potatoes, grain and vegetables are all being produced at a much higher level than when the right hon. and gallant Gentleman was Minister of Agriculture some 15 years ago.

Lieut.-Colonel Elliot I think that the hon. Gentleman is a little shaky on his agricultural facts. I would like him to look again at the milk figures.

Mr. Jay I think that my figures are perfectly correct. As we all know, and as I have tried to emphasise, there is a darker side to the picture, and it is, of course, the case that textile production and coal production are lower today than they were before the war. But they have both made very solid and encouraging progress in the last 12 months, about which the President of the Board of Trade will, I think, give detailed figures tomorrow. If British industry—and particularly coal and textiles—can now give us a really strong pull in these last four months of the year, we ought to be well within sight of our essential targets by the end of the year.

I should like to say just this about what the right hon. Member for Warwick and Leamington (Mr. Eden) yesterday called these "brilliant achievements" of British industry. I do not know whether I should have used quite such sanguine terms myself; but I think we now should give the credit to all those concerned—the workers, the technicians, the managers and everybody else—in both free enterprise and the nationalised industries. I would also add the civil servants, many of whom have had a lot to do with these achievements.

Let us also recognise what really is, I think, the outstanding lesson of this whole story, that the past year's recovery could not possibly have been achieved without the far-reaching measures of general planning and control which have

been in force. The right hon. Member for Saffron Walden made various references to controls, talked about people being "regulated till they became callous," and asked whether we would review the administration and use of manpower and finance in these controls. We have done so, we are doing so, and we shall continue to do so. I would remind him that in the last two financial years we have made a cut of about £930 million in total Budget expenditure. I am firmly of the opinion that any control—particularly any detailed control—should be eliminated if it does not serve a useful purpose. However, I wish that the Opposition would not be so doctrinaire. They apparently believe in no controls.

Mr. R. A. Butler When have the Opposition said they believed in no controls whatever?

Mr. Jay The right hon. Gentleman did not have the advantage of hearing his hon. Friend the Member for Orpington tonight. As the House knows, we have already done a great deal in this direction. We have de-rationed potatoes and bread—[Horn. MEMBERS: "Who rationed them?"]—utility furniture, boots and shoes, and a large number of textiles in the last few months. We are now reviewing a number of other controls with the idea of making further improvements if we can. I must say I am myself a believer, in this case, in the principle of de minimis, because it is the small controls which give the most trouble and have the least effect.

Nevertheless, I do believe—and this is what the right hon. Gentleman seemed to ignore—that the value of our general weapons of control and planning have been proved beyond doubt by the last two years' practical experience. Perhaps I might give one or two examples. To begin with, we could not possibly have maintained the fair distribution of the products of industry—and everybody agrees it is fairer now than before the war—without controls, in particular on food and housing. Secondly, the biggest single reason for the increase in production between 1938 and 1948 is the planning of employment policy, by which we have brought another million people into productive work and virtually wiped out the army of 750,000 unemployed who were wasting away in the Development Areas before the war. The main contributor to that particular "brilliant achievement" has been the planning of the location of industry, and we shall continue to pursue that policy with all energy and resolution. I can assure my hon. Friend the Member for Edge Hill (Mr. Irvine) that we shall apply that policy to any changes in capital development which we may have in mind.

Thirdly, of course, it would obviously have been impossible to bring the dollar situation under control, as we have begun to do in the last year, without the essential control over luxury consumption—foreign travel, exchange transactions, and so forth—and everybody really knows that to be true. Fourthly, we could never have achieved those "brilliant achievements" in the export drive without many controls, and in particular the control over raw materials allocation. The raw materials allocation has been our main weapon in stepping up exports. It is perfectly obvious that if the motor vehicle manufacturers had been free to sell their products as they liked in the home market, we should not have had half the very remarkable increase in motor exports that we have in fact seen. Finally, it is only by a combination of voluntary restraint, and a number of price controls in particular, that we have been able to maintain our price stabilisation policy in the last nine months.

Several Members have asked today what we mean to do in future about our stabilisation policy, and I would like to emphasise that we are determined to maintain all the essentials of that policy, including subsidies to various necessary foods, while present circumstances continue. Here I would like to record the Government's appreciation of the vital assistance we have had from almost all sections of the community—the National Savings Movement, the Trade Union Movement, the many industrial firms which have restricted their dividends, the Co-operative Movement and many others. If anyone thinks we ought to sweep away these sort of controls he has only to look across the seas to see what would happen.

It is one of the most welcome fruits of our recovery effort this year that we have been able to make such a solid contribution by way of sterling grants in the European Payments Agreement which was announced last week. It has been rather remarkable today that not one speaker has criticised the Government for deciding to make those grants.

They will, of course, be grants in nontransferable sterling, and they are part of an arrangement by which we get a much larger sum of dollars at the same time. They will represent sacrifices by this country in the way of unrequited exports and they will mean a real strain; but we have judged it right to make these sacrifices, so that it should be perfectly clear that this country is making a larger and more solid contribution than any other European country to Western Union at this time.

The hon. Member for the Isle of Wight (Sir P. Macdonald) said that we did not "mean business" in the matter of Western Union. Well, we mean business to the extent of free grants and other assistance of over £100 million to the countries concerned. I think those grants have come as a surprise to some of those who have been calling loudly for Western Union without understanding quite what were the sacrifices. They were a bigger surprise to those who were proclaiming, with remarkable ignorance, that this country was less eager than others for European co-operation. I think they must have come as the biggest surprise of all to the right hon. Gentleman the Member for Aldershot (Mr. Lyttelton) who, in a speech in the House on 5th July, talked of E.R.P. as a mere series of United States grants to this country, and asked whether anyone thought that a British Socialist Government, if they had the means—and he added, in passing, that no Socialist Government was likely to have the means—of making large grants of this kind to non-Socialist countries in Europe. Just when the right hon. Gentleman was making this singularly ill-informed, ill-timed and ill-conceived remark, we were preparing this scheme.

Lieut.-Colonel Elliot rose—

Mr. Jay No, I cannot give way. Another result of the very large rise in production we have had this year is that we are planning for an extensive capital development programme, and particularly an industrial development programme, for the four years of the European Recovery Programme. We made a cut in the capital development programme a year ago because of the dollar crisis of that time, but since E.R.P. became a certainty we have been planning and have set in motion a steadily expanding programme both at home and in the Colonies, and we shall make that one of our main objectives of economic policy throughout the next four years.

Already very much larger development schemes are going forward than is generally realised, particularly in the coal, steel, electricity, oil and chemical industries. The total investment in plant, machinery, ships and vehicles this year is actually 40 per cent. greater in volume than in 1935, and our total investment is running at a greater percentage of the national income than either last year or in the years before the war, and we plan to make it even greater. As a matter of fact, we have since the war completed more than 700 new factories, of which over 400 have been in Development Areas. I can comfort the right hon. and gallant Gentleman the Member for the Scottish Universities by telling him that more than 200 of these were in Scotland, which is more than were completed in the whole seven years inclusive from 1932 to 1938 when the Government of which he was a Member was flourishing.

Lieut.-Colonel Elliot With capital coming from America.

Mr. Jay All these efforts by way of capital development, must, of course, limit our current consumption. But I believe that the most remarkable tribute of all to the productive exertions of our people is that, in spite of all the difficulties, shortages and burdens, the mass of the people, and the children in particular, are undoubtedly enjoying a fairer and better standard of living than they were before the war. I do not ask the House to accept that from me, but I will briefly quote one or two other authorities. The first is the figure of infantile mortality. That figure fell from 53 per 1,000 in 1938 to 46 per 1,000 in 1945 and 41 per 1,000 in 1947. That is the best measure of our health and strength; and, what is even more significant, the fall has been the biggest in the old distressed areas.

Secondly, as evidence of this, I would quote the "Economist," which told us the other day that the British wage earner by one hour's work was earning more food than any other wage earner in the world. If that is true it is a remarkable tribute to the way we manage our affairs. Finally, I should like to quote in support of this a recent report from the

United States Department of Labour, because I think this has a bearing on what was said about control by the right hon. Gentleman the Member for Saffron Walden. That report puts the facts very well indeed. It says: "While the current level"—this is dated August, 1948—"of national real income is about the same as pre-war, the British wage earner can show substantial gains in comparison with the mid 1930's in respect of hours and earnings, diet, clothing, housing and health. These improvements may be largely ascribed to more regular employment, virtual disappearance of unemployment, more equitable distribution of supplies through rationing of necessities, controlled prices of necessities, subsidised housing and improved arrangements for meals in factories." Frankly, I could not put it better myself, and I fear, therefore, that hon. Members opposite who have spoken today and who want all vexatious controls removed—

Mr. Butler The hon. Gentleman has twice stated a complete untruth regarding the policy of the Opposition, and I would ask him in all honour to withdraw.

Mr. Jay I am glad to have the right hon. Gentleman's personal admission that he is not in favour of the removal of controls.

Mr. Butler rose—

Mr. Jay I think the right hon. Gentleman might let me finish my sentence. He knows perfectly well that it is within the recollection of all of us that the right hon. Gentleman the Leader of the Opposition stood there not many months ago and said that the Conservative policy was to "set the people free."

Lieut.-Colonel Elliot This is the third time the hon. Member has said what is not true. He now buttresses his remarks with the suggestion that because the Leader of the Opposition wished to set the people free, he was advocating the immediate removal of all controls. That is not true, and we call upon the hon. Member to withdraw it.

Mr. Jay I am very glad to see that the Opposition is coming so far to meet us—

Hon. Members Withdraw!

Sir Wavell Wakefield (St. Marylebone) Detestable.

Mr. Jay If anybody thinks I did say that, I will withdraw, but in fact I did not say that the whole of the Opposition was in favour of removing all controls. What I am saying is this: that any hon. Members opposite who want to sweep away—and these were my actual words—these vexatious controls—[Interruption]—this is what I am saying now also—have against them not merely the British Government and the British people, but the United States Department of Labour as well.

Nor, finally, can there be any doubt that it is just because we have achieved and maintained this measure of social justice in this country, and because the wage earners have confidence in the fair distribution of our national income, that extremism and Communism make no headway in this country. That is the real lesson of the past two years; and it seems to me something of which all British subjects, and indeed all democrats, might be proud. The hon. Member for South Edinburgh (Sir W. Darling) last night, speaking rather tragi-comically if I may say so, deplored the disappearance of various red patches from the map. He found this humiliating, and apparently took no pride in the achievements which I have tried to recall tonight. Quite frankly, I can feel only pity for anybody whose love of his country is so weak as not to feel pride in these solid achievements of the British people.

Debate adjourned.—[Mr. Snow.]

Debate to be resumed Tomorrow.

